Proceedings of the Annual Meeting
# of the
Association of Universities and Colleges of Canada

Lord Beaverbrook Hotel
Fredericton, N.B.
October 5-7, 1982

The Management of Diminishing Resources

Association of Universities and Colleges of Canada
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University of Ottawa
Ottawa (Ontario)

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Prince Edward Island
Charlottetown, Prince Edward Island

Université du Québec
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Kingston, Ontario

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Regina, Saskatchewan

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Sudbury (Ontario)

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Fredericton, New Brunswick

University of Saskatchewan
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Nova Scotia
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Trent University
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Toronto, Ontario

University of Victoria
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Victoria University
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Association of Faculties of Agriculture in Canada

Association of Faculties of Veterinary Medicine in Canada

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Association of Schools of Optometry of Canada

Association of University Forestry Schools of Canada

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Canadian Association for University Continuing Education

Canadian Association of College and University Libraries

Canadian Association of College and University Student Services

Canadian Association of Deans of Education

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Canadian Association of University Business Officers

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Canadian Federation of Deans of Management and Administrative Studies

Canadian Interuniversity Athletic Union

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Stephen Griew, President

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A.J. Earp, President

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CARLETON UNIVERSITY
W.E. Beckel, President

DALHOUSIE UNIVERSITY
W.A. MacKay, President

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ET DE THÉOLOGIE
R.P. G.-D. Mailhot,
Régent des études

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D.F. Forster, President

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The Ven. J.G. Morden, Principal

UNIVERSITY OF KING'S COLLEGE
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UNIVERSITÉ LAURENTIENNE DE SUDBURY
H.B.M. Best, President

UNIVERSITÉ LAVAL
J.-G. Paquet, Recteur

LUTHER COLLEGE
M.A. Anderson, President

McGILL UNIVERSITY
D.L. Johnston, Principal

McMASTER UNIVERSITY
A.A. Lee, President

THE UNIVERSITY OF MANITOBA
Arnold Naimark, President

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UNIVERSITÉ DE MONTRÉAL
Paul Lacoste, Recteur

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MOUNT SAINT VINCENT UNIVERSITY
E.M. Fulton, President

UNIVERSITY OF NEW BRUNSWICK
James Downey, President

UNIVERSITY OF PRINCE EDWARD ISLAND
P.P.M. Meincke, President

UNIVERSITÉ DU QUÉBEC
Gilles Boulet, Président

QUEEN'S UNIVERSITY AT KINGSTON
R.L. Watts, Principal

THE UNIVERSITY OF REGINA
L.I. Barber, President

ROYAL MILITARY COLLEGE OF CANADA
D.E. Tilley, Principal

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J.A. Weir, President

THE UNIVERSITY OF WINNIPEG
R.H. Farquhar, President

YORK UNIVERSITY
H.I. Macdonald, President

ASSOCIATION OF ATLANTIC UNIVERSITIES
John Keyston, Executive director

COUNCIL OF ONTARIO UNIVERSITIES
E.J. Monahan, Executive director

GUESTS

John Armour, Vice-principal (administration and finance), McGill University
Dalton Camp, Journalist
Sir Alec Merrison, Vice-chancellor, The University of Bristol, Bristol, England
Harold Shapiro, President, University of Michigan, Ann Arbor, Michigan

AUCC SECRETARIAT

P.-Y. Boucher, Associate executive director-Legal Counsel
R.A. Cavan, Director of communications and Secretary, Board of directors
Danielle Fréchette, Assistant to the Executive director
A.K. Gillmore, Executive director
A.M. Kristjanson, Director, research and analysis
A.B. Larose, Director, finance and administration
G.M. Larose, Director, international relations
M.K. Oliver, Director, international development office
Robert Patry, Director, government relations
J.E. Rondeau, Administrator, general services

Kenneth Clements, Executive director, Canadian Association of University Business Officers

MINUTES OF THE 1982 ANNUAL MEETING HELD 7 OCTOBER 1982 AT THE LORD BEAVERBROOK HOTEL, FREDERICTON, NEW BRUNSWICK

Approval of Minutes

The meeting was called to order at 1:20 p.m. with the President, Dr. Lloyd Barber, in the chair. It was moved by Dr. Earp, seconded by Dr. Lee, that the minutes of the 16 June 1981 Annual Meeting be approved as circulated.

CARRIED

President's Address

The President presented his annual report, which is published in full in the proceedings of the 1982 Annual Meeting.

Executive Director's Report

The Executive Director presented his annual report which is published in full in the proceedings of the 1982 Annual Meeting.

Report of Nominating

Dr. Earp, Chairman of the Nominating Committee, presented the committee's report to the Annual Meeting, including the following slate of nominees to the 1982-83 Board of Directors:

Vice-President	Andrew MacKay President, Dalhousie University
Director, Ontario	R.L. Watts Principal, Queen's University (to 1984)
Director, Western Provinces	George Pedersen President, Simon Fraser University (to 1984)

ELECTED

Dr. Earp reported that, as he was taking over the position of Vice-president, Dr. MacKay had designated Dr. James Downey, President, University of New Brunswick and Vice-Chairman of AAU to represent AAU on the Board of Directors.

The membership of the 1982-83 Board of Directors is as follows:

President (to 1983)	Lloyd Barber President, University of Regina
Vice-President (to 1983)	Andrew MacKay President, Dalhousie University
Executive Director (ex officio)	Allan K. Gillmore

Chairmen of the regional and provincial associations (ex officio)

- Association of Atlantic Universities
  James Downey, President, University of New Brunswick

- Conference of Rectors and Principals of the Universities of Quebec
  Gilles Boulet, Rector, Université du Québec

- Council of Ontario Universities
  George Connell, President, University of Western Ontario

- Council of Western Canadian University Presidents
  Norman Wagner, President, University of Calgary

Directors

Peter Meincke, President, University of Prince Edward Island (to 1983)

David Johnston, Principal, McGill University (to 1983)

R.L. Watts, Principal, Queen's University (to 1984)

George Pedersen, President, Simon Fraser University (to 1984)

Revisions to AUCC By-laws

M^{e} Boucher reviewed the Tinker report on AUCC institutional membership criteria, making particular reference to the following points:

(a) affiliated institutions would no longer be admissible directly to ordinary membership, but would have to become provisional members in the first instance.

(b) provisional members who failed to qualify for ordinary membership according to the by-laws could be renewed as provisional members for three years. Thereafter, they would have to withdraw from membership in AUCC and wait one year before making a new application.

(c) disqualification would be automatic if a member institution failed to maintain a fulltime equivalent enrolment of 100 students over a period of three years.

M^{e} Boucher presented proposed revisions to the membership by-laws resulting from the Tinker Report. The proposed revisions also provided for the creation of an Executive Committee composed of the President, the immediate Past-President or the Vice-President as the case may be, the Executive Director, and one other member of the Board of Directors appointed by the Board.

Dr. Watts moved, seconded by Dr. Earp, that the amendments to the membership by-laws be approved.

CARRIED

Dr. Horowitz moved, seconded by Principal Johnston, that the by-laws be amended to include an Executive Committee.

CARRIED

The by-laws, as amended 7 October, 1982 are published in full in the proceedings of the 1982 Annual Meeting.

Public Statement re Funding

The members reviewed the final draft of a public statement relative to the funding of Canadian universities which is published in full in the proceedings of the 1982 Annual Meeting. Dr. Best moved, seconded by Dr. Lee, that the statement as drafted be approved and given wide distribution.

UNANIMOUSLY CARRIED

At this point in the meeting, Dr. MacKay assumed the chair while the President left the meeting to attend a media interview regarding the above mentioned public statement.

AUCC Relationships with Associate Members

M^e Boucher reported to the Meeting regarding AUCC relationships with its Associate Members. He reviewed the work of Dr. Ron Baker in this regard and reported that, as a result of that study:

(a) the letters of agreement between the AUCC and each Associate Member would be reviewed, and revised, if necessary, to ensure that the spirit of the report was implemented;

(b) the AUCC was in the process of establishing a task force to study the relationships between the Association and university libraries, librarians and such library organizations as the Canadian Library Association, the Canadian Association of College and University Libraries, Small University Libraries and the Canadian Association of Research Libraries;

(c) the AUCC relationship with the Canadian Council on Animal Care had been clarified via a protocol of agreement, with the result that a close relationship is maintained without AUCC being legally or financially responsible for that organization.

Budget, Finance and Audit Committee

Dr. Earp, Chairman of the Budget, Finance and Audit Committee presented the audited statements for 1981-82. He reported that these statements had been studied by the Committee and by the Board of Directors who had recommended their approval. He also reported on the Association's financial position and commented on the expertise that Mr. Larose and Dr. Gillmore had brought to the financial affairs of the AUCC.

Dr. Earp commented on a major concern regarding the future cost of renting space for the Secretariat in Ottawa. The AUCC enjoys a long term lease until 1986 which is based on an average of $5.00 per square foot. Rental rates in Ottawa have already far outstripped that sum and there is concern that, when the Association seeks either to renew its current lease or to establish itself elsewhere in the city, rates will have risen dramatically. Dr. Earp indicated that plans are already underway to have a consultant review the space needs of the organization, and to establish a fund to assist in cushioning the increase that will be felt after 1986.

Dr. Earp moved, seconded by Dr. Connell that the audited statements be approved.

CARRIED

Congratulations

Dr. Earp expressed congratulations on behalf of the members persent to the Executive Director who had recently received an honorary doctorate from the University of Ottawa.

Thanks to Dr. Earp

Dr. Barber, who had resumed the chair, thanked Dr. Earp for his support and services to AUCC throughout his terms of office as Vice-President, President and, particularly, Past-President during 1981-82.

Thanks to the University of New Brunswick

Dr. Barber also thanked Dr. Downey for the assistance and hospitality of the University of New Brunswick in the current meetings of AUCC.

Adjournment

The meeting was adjourned at 2:30 p.m.

Touche Ross & Co.
Chartered Accountants

AUDITORS' REPORT

The President and Directors
Association of Universities and
Colleges of Canada

We have examined the balance sheet of the Association of Universities and Colleges of Canada as at March 31, 1982 and the statement of revenue and expenditure and unappropriated surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Association as at March 31, 1982 and the results of its operations for the year then ended in accordance with the accounting principles set out in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Touche Ross & Co

Chartered Accountants

Ottawa, Ontario
May 28, 1982

ROYAL BANK CENTRE - 90 SPARKS STREET - OTTAWA, ONTARIO K1P 5B4
TELEPHONE (613) 236-2442 - TELEX 053-4385

ASSOCIATION OF UNIVERSITIES AND COLLEGES OF CANADA
(Incorporated by an Act of Parliament - Canada)

BALANCE SHEET AS AT MARCH 31, 1982

	1982	1981
ASSETS		
Current		
Cash	$ 106,100	$ 11,600
Term deposits	1,400,000	300,000
Accounts receivable	182,300	177,200
Current portion of loans receivable (Note 2)	14,100	21,900
Prepaid expenses	5,600	5,500
	1,708,100	516,200
Loans receivable (Note 2)	39,200	97,700
Restricted funds (Note 3)	2,800	2,800
Fixed (Note 4)	-	-
	$1,750,100	$616,700
LIABILITIES		
Current		
Bank indebtedness	$ -	$ 20,400
Accounts payable and accrued liabilities	461,000	302,400
	461,000	322,800
Due to other organizations (Note 5)	1,141,100	258,400
	1,602,100	581,200
SURPLUS		
Unappropriated	28,100	35,500
Appropriated (Note 6)	119,900	-
	148,000	35,500
	$1,750,100	$616,700

ASSOCIATION OF UNIVERSITIES AND COLLEGES OF CANADA

STATEMENT OF REVENUE AND EXPENDITURE AND UNAPPROPRIATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
Revenue		
Membership fees	$1,552,400	$1,448,100
Service and administrative fees	664,200	714,200
Interest	294,300	130,000
Sale of publications	155,600	179,600
	2,666,500	2,471,900
Expenditure		
Personnel costs	1,490,500	1,490,900
Publications and printing	93,700	267,800
Telephone and telegraph	69,600	58,100
Equipment rentals and maintenance	47,700	108,700
Postage	69,400	74,700
Operating supplies and expenses	173,400	89,000
Rent (net)	110,000	131,100
Professional fees	57,200	57,900
Interest and bank charges	13,500	10,400
Travel - staff	78,600	89,900
Board and committees	68,100	70,400
Fixed assets		
Depreciation	-	17,200
Purchases (net)	200,200	34,400
Bad debts	69,600	11,700
Grant (CAUBO)	12,500	-
	2,554,000	2,512,200
Excess of revenue over expenditure (expenditure over revenue) before extraordinary item	112,500	(40,300)
Extraordinary item - gain on sale of computer division	-	50,000
Excess of revenue over expenditure for the year	112,500	9,700
Unappropriated surplus, beginning of year	35,500	25,800
Transfer to appropriated surplus (Note 6)	(119,900)	-
Unappropriated surplus, end of year	$ 28,100	$ 35,500

ASSOCIATION OF UNIVERSITIES AND COLLEGES OF CANADA

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1982

1. Significant accounting policies

Fixed assets

The cost of fixed assets is charged to operations in the year of acquisition.

Revenue and expenditures

Revenue and expenditures are recorded on the accrual basis of accounting.

2. Loans receivable

$41,400	- receivable by equal blended payments, of principal and interest at 9.125% per annum on the first day of each month, May 1, 1981 to September 1, 1985.
11,900	- receivable over a maximum of five years with interest charged at 12½% per annum.
53,300	
14,100	- less current portion of loans receivable
$39,200	

3. Restricted funds

Consists of funds held for designated purposes

	1982	1981
Teaching and learning films	$ -	$(19,600)
Canadian Council on Animal Care	17,200	32,200
Canadian Studies Report	(12,200)	(10,500)
Other projects	(2,200)	700
	$ 2,800	$ 2,800

Changes during the year

		1982	1981
Balance, beginning of year		$ 2,800	$(14,700)
Receipts	$ 386,400		
Disbursements	(386,400)	-	17,500
Balance, end of year		$ 2,800	$ 2,800

Association of Universities and
Colleges of Canada
Notes to the financial statements
March 31, 1982

4. Fixed assets

	1982	1981
Furniture and equipment - at cost	$621,300	$423,600
Less: accumulated depreciation and amounts expensed	621,300	423,600
	$ -	$ -

5. Due to other organizations

Consists of funds held by the Association to be disbursed upon approval from the Source Organization. (The financial statements of the Trust Accounts should be read in conjunction with this note).

	1982	1981
Administrative programmes		
Canadian Commonwealth Scholarship and Fellowship Administration	$ 698,600	$161,300
Japanese studies	-	(146,400)
Trust accounts	300	-
Scholarships and awards	6,700	(1,800)
	705,600	13,100
Funds held in trust		
A.C.U. Congress	-	31,000
Association of Canadian Medical Colleges	64,700	36,600
Canadian University Service Overseas	(6,200)	(3,200)
Canadian Executive Service Overseas	19,400	(100)
Canadian Association of Schools of Social Work	72,900	42,700
Canadian Association of University Business Officers	115,500	55,200
Canadian Association of Graduate Studies	17,100	10,500
Canadian Federation for the Humanities/ Social Science Federation of Canada	(4,800)	(2,400)
Other organizations	156,900	75,000
	435,500	245,300
	$1,141,100	$258,400

Association of Universities and
Colleges of Canada
Notes to the financial statements
March 31, 1982

Changes during the year

	Administrative Programmes	Trust Funds	Total
Balance, beginning of year	$ 13,100	$ 245,300	$ 258,400
Receipts	4,776,400	4,189,000	8,965,400
Disbursements	(4,083,900)	(3,998,800)	(8,082,700)
Balance, end of year	$ 705,600	$ 435,500	$1,141,100

6. Appropriated surplus

An amount of $119,900 has been transferred to appropriated surplus to provide for future replacement of capital equipment.

7. Long term rental commitments

The Association has entered into long term rental arrangements for its premises. The premises require an annual payment of $399,400 plus escalation charges on leases expiring in May 1986. Some of the premises are sublet to other organizations in the amount of $323,600 on leases expiring mainly in May 1986.

ADDRESS BY DR. LLOYD BARBER TO 1982 ANNUAL MEETING OF ASSOCIATION OF UNIVERSITIES AND COLLEGES OF CANADA

At the mid point in my term as President of the Association of Universities and Colleges of Canada, I look back on a year full of activity by the association and forward to another twelve months of challenge for our national organization. It has been a busy year. I have been called upon to take on a number of interesting duties aimed at improving the situation of our universities and informing decision makers about the value of our institutions, their activities and, often times, the strange ways in which academic institutions function. I have been supported fully by the past-president, Alan Earp, and by the other members of your board of directors. I thank them all. I am indebted to Allan Gillmore for his handling of so many problems, for presenting our position to so many audiences, and for the admirable way in which he has kept me, and you, fully briefed on the issues of the day.

I have spent very little time at the secretariat. Long distance calls are the modus operandi; often this is on a daily basis, with additional calls at home, at the cottage, on weekends and on holidays. But it works well and, given that presidents of AUCC are not likely in the near future to have time to travel to the office except on rare occasions, I recommend it. My thanks also for the many ways in which each of you has supported the association during the past 15 months.

My remarks today are optimistic and positive. We can agree that the universities of this country are a great national resource. Although our institutions are facing many problems, I am confident that we can address these issues and emerge stronger, with the respect of the Canadian public and the governments they elect. In saying this, I do not underestimate the problems that confront us. I believe, however, that these times are sent to try us and that, once again, as so often in the past, universities will acquit themselves with honour.

The Association of Universities and Colleges of Canada has come a very long way indeed since the Watts committee report of 1977-78. When Principal Watts and his colleagues accepted the task of reviewing first the objectives, functions and structure of the association, and then, in a supplementary report, the role of the then committee of executive heads, the association was in a weakened condition. It lacked a sense of direction and three major factors appeared to be at the root of the problem:

1. The shift away from the federal to the provincial scene of the primary policy-making for higher education brought into question the appropriate role of the association vis-à-vis the federal and provincial governments, and in relation to the provincial and regional associations of universities.

2. The executive heads and the board found it difficult to focus attention on the identification of policy issues of long term significance. This was due in

part to their preoccupation, in a time of financial stringency, with operational matters and to their general concern with budgetary questions.

3. The difficulty in knowing for whom the association spoke.

The Watts committee recommended that the association remain an organization of institutions but that it move purposefully in the direction of working more closely with the regional and provincial associations. To facilitate this, the committee recommended that the membership of the AUCC board of directors and of the executive committee be amended to include ex officio the chairmen of the four regional and provincial associations. It further recommended that these four associations be asked either to invite the AUCC executive director to regularly attend their meetings or to arrange for an annual meeting between the executive director and its own secretariat and chairman.

The Committee examined the relationship between executive heads, and faculty and students within the AUCC. While it did not recommend that AUCC revert to an Association of executive heads, it did recommend that the executive heads exert greater leadership within the association, identifying issues and developing a sense of direction for the secretariat. To this end, the committee urged the executive heads to meet more frequently, to examine issues of concern to them, and to speak out publicly when their interests, and those of their institutions and of the academic community, were at stake.

In the past two years, the thrust of this important report has been addressed consciously and, I feel, with great success. At its 1981 annual meeting, the AUCC officially restructured itself into an Association of institutions as represented by their executive heads. This was done with the full knowledge and support of the Canadian Association of University Teachers and the Canadian Federation of Students and our relationships with these two complementary national associations have been much improved and strengthened as a result.

The association's board of directors was restructured from a large mixed-membership body of 30 executive heads, faculty and students into a lean 11 member body composed entirely of executive heads. This, too, was done with the full knowledge and understanding of the student and faculty members of the larger body. In addition, and very importantly, four of the members of our new board are ex officio the chairmen of the four regional and provincial university associations. You will be asked during this meeting to approve the addition to our formal structures of a small executive committee of the board, which will add further to our effectiveness and our efficiency.

The executive heads collectively do meet more frequently and I think we address issues of real substance. Our meeting this week is a good example. Reactions to our meetings over the past 15 months, in Winnipeg and in Victoria, have indicated much greater satisfaction with the organization and level of discussions.

During the past year, reviews have been completed of both the criteria for institutional membership and relationships between AUCC and its associate members. Proposed changes in the by-laws, resulting from the Tinker report, will be brought before you today for approval. Decisions taken by the board of directors as a result of the Baker study will be reported to you. The results of these investigations will support our efforts to make the AUCC a strong, rational and vigorous organization.

Allan Gillmore now regularly attends the meetings of three of the provincial and regional associations. Three of these associations have permanent secretariats and their executive directors are invited to attend all AUCC meetings. In addition, the AUCC senior staff are in close contact with the offices of all of these associations and a sense of real cooperation and mutual assistance pervades the efforts of the three organizations on behalf of the university community.

Apart from its recommendations on the structures of AUCC, the committee urged the association to maintain strong links among Canadian universities with particular emphasis on two objectives:

1. the provision of a functional and effective country-wide voice on higher education and a focus of contact for the Council of Ministers of Education and the Government of Canada;

2. the gathering and dissemination of information of interest to all Canadian universities.

We have gone a long way toward making the association the kind of focus that I think Dr. Watts and his colleagues had in mind. My comments later in this review, and Allan Gillmore's annual report, will expand on this.

It is now clear to most, that when the association speaks it does so on behalf of its institutional members, from the particular, some might say peculiar, vantage point of the presidents. When it speaks, it does so from the knowledge that there is a consensus among its members on a particular issue and it speaks forcefully. As the presidents continue to gain confidence in the association, these pronouncements will become more and more meaningful to the membership and to those to whom our statements are addressed. I am convinced we have come a long way since the Watts committee. I think all of us have given our time, ideas and energy to this project and can take great satisfaction that it is a piece of work well begun.

* * *

A major advantage of being president of the AUCC is the opportunity to gain an overall picture of the state of higher education across Canada. While it was not possible for me to visit all our members, in one way or another, most often from the secretariat, I have heard of happenings in every part of our community.

Let's look at a snapshot of that community. I will not describe in detail the nature, activities and concerns of each institution. But the review may serve at least to highlight the state of our universities from coast to coast. I think it is a bright picture in many ways.

Enrolments

In the spring and summer of this year, we heard of increased applications for university study in all parts of Canada. It would appear that these early indications have been borne out, that enrolments are up and in fact way up in some programs and some parts of the country. My information is based on a telephone survey that the communications division of the secretariat conducted the week of September 20. This is an incomplete picture, to be sure, taken when some institutions were still registering students, and many others had not yet fully tabulated their results. It also cannot take into account student decisions to switch programs or dropouts.

Undergraduate enrolment at the University of Calgary is up 10 per cent and at Alberta nine per cent. My own institution reports an undergraduate increase of 20 per cent. At the University of Saskatchewan, arts and science have increased by 12 per cent; UBC reports a 10 per cent increase in science and six per cent in arts. The University of Manitoba has a total undergraduate and graduate increase of nine per cent. (Arnold Naimark put us all to shame. His staff released official statistics the day after registration! Not satisfied to tell their colleagues about this, they issued a national press release!)

At Memorial, undergraduate enrolment is up 16 per cent and undergraduate enrolment has grown at UPEI by 12 per cent. Our host for this meeting, UNB, reports an undergraduate increase of seven per cent.

In Québec, McGill has an overall undergraduate increase of three per cent and reports that the greatest growth is in arts and science. Laval has an eight per cent increase in graduate enrolments and Concordia six per cent in undergraduate.

The picture is not complete for Ontario. However, Guelph reports five and 13 per cent increases in undergraduate and graduate studies respectively. Waterloo has an undergraduate growth rate of two per cent. The University of Toronto reports decreases; these, however, are due to deliberate efforts to hold down enrolments at that institution. Brock has a record +23 per cent undergraduate enrolment this year.

Why are enrolments at least stable and in many instances growing at a time when levelling off, and indeed decreases, were predicted across Canada? I don't suppose we know for certain. But we can say to our critics that students are voting with their feet, and that enrolments have never looked better.

A university degree does not guarantee a job to the recipient. But it is the closest thing to an employment ticket. Unemployment data based on level of education bears this out.

It is also gratifying to see the numbers who have opted again this year for the traditional areas of first degree studies, the liberal arts and sciences. While it may be true that some made this decision because they were unable to gain admission to the program of their first choice, I believe many of them are convinced that a solid general education will be a good foundation for personal and professional growth.

As all of us know, increased enrolments can be a mixed blessing. The strong demand for places in some faculties, notably computer science, engineering, commerce and business administration has resulted in tremendous pressure on our resources. And it is not always possible for universities to respond immediately and fully to shifts in student demand. Some institutions have neither sufficient faculty nor the physical resources to meet the demand. Even if the funds were available to attract additional faculty to these disciplines, the universities would have to compete for these people with the private sector where salaries may be higher. Successful competition might require the universities to increase salaries in these disciplines, thereby creating tension among teaching staff in all fields. And, for obvious reasons, universities cannot retrain under-utilized faculty quickly enough for them to move into high demand disciplines.

Funding

The renegotiation of the Established Programs Financing Arrangements has occupied much of the association's time over the past year. While AUCC had to agree that the revenue guarantee portion of this transfer arrangement for health and postsecondary education was known to be an interim measure that was to run out in due course, we expressed our concern publicly that any reduction in monies flowing to the provinces under EPF could indirectly result in less money being allocated to the universities.

Your executive and the secretariat have strived to stay on top of federal thinking as to the future of this transfer arrangement and the discussions that were being engaged in with the provinces and the Council of Ministers of Education. Keeping current on the subject has never been easy and, on occasion, it has seemed impossible. We were concerned that manpower planning and training, defined very narrowly, would win the day over education and scholarship in the minds of the federal cabinet. We mounted our arguments and felt that our side of the story had been heard. However, faced with an increasingly poor economy, the federal government may again be drawn to the manpower argument and, beyond the impact of cancellation of the revenue guarantee, may be prepared to subject EPF to the six and five per cent program, presumably with the intention of "diverting" funds to employment training.

In the meantime, EPF continues this year as in the past several years, minus the revenue guarantee. I recognize the dangers in comparing provincial data. However, provincial operating grants for 1982-83 increased by an average of 13.9 per cent, from a low of 7.4 per cent in Quebec to a high of 17 per cent in the province of Saskatchewan. Given the current economic situation and the demands being placed on all sectors of our society to aid in a national recovery plan, I think we can say that, except in Quebec, these were not bad increases. Obviously, if we examine the increases against the background of a decade of grants that have not kept pace with inflation, the cumulative result is less attractive. We all know, however, that the university sector must pull its weight in the current difficulties of this country and I believe we are prepared to do our share.

It is premature to say exactly what our institutions will be asked to do toward national recovery. The implementation of the federal six and five per cent program is being defined in Ottawa at this very moment. It is most likely to be felt by universities via provincial restraint programs which, in most jurisdictions, are coming on the heels of the federal initiative. Some provincial schemes have already been announced and certainly the province of Quebec was far ahead of the federal government in announcing what we know to be a pretty tough program of restraint and cut backs.

Two weeks ago, Ontario introduced a restraint program that imposes five per cent wage controls on public employees and regulates prices and fees set by provincial agencies. The right to strike and referral to binding arbitration were withdrawn; unsettled contracts were limited to nine per cent this year and five per cent next year. The universities are directly affected.

At almost the same moment, the Province of Quebec expanded its already tough restraint program. A three year program has been introduced which includes a wage freeze for 1983 for employees earning more than $37,000, followed by minimum increases of five per cent and 3.2 per cent in the subsequent two years. The door is open for larger increases in those years if the economy improves.

Whether in response to federal pressure or for other fiscal reasons specific to the particular jurisdiction, some provinces have not only brought in restraint, they have cut previously announced grants to the universities. This is happening in British Columbia where the institutions have been told their operating increase of 12.6 per cent will be cut by $12 million, or 3.8 per cent. Wage and salary increases will be limited to six per cent in 1982-83 and even further in 1983-84.

In Nova Scotia, the government has closed the Atlantic Institute for Education, with an apparent saving of less than $1 million, and has announced the withdrawal of $2.1 million already allocated to the universities for building and equipment repairs and maintenance. This is down from the original announcement of a $4.5 million cut!

To add to the fiscal problems facing our colleagues in Manitoba, that province this year introduced a payroll tax. Public institutions, including the universities, will pay 1.5 per cent of payroll out of existing funds. The cost to the three universities is expected to surpass $2.5 million annually.

In five provinces, fees have been increased this year by the same percentage as operating grants. One of those five, Ontario, currently allows a further increase of 10 per cent at the discretion of each institution. However, the new restraint program in that province has placed a five per cent ceiling on fee increases in 1983-84. In Alberta, fees will equal eight to 12 per cent of operating expenditures. In Quebec, fees for Canadian students have been frozen since 1976.

In Manitoba, fees have not increased this year as the province is providing the universities with a one-time tuition subsidy of $1.7 million.

There are no foreign student fee differentials in British Columbia, Saskatchewan, Manitoba or Newfoundland. In Alberta, foreign students pay

50 per cent more than Canadians; in Ontario, foreign undergraduates pay $2,700 per year, graduate students $2,200 per term. (The Ontario restraint program does not affect differential fees.) In Quebec, foreign students pay $4,350 per academic year and, in the three Maritime provinces, the fees are roughly double those charged Canadians.

Faculty

Canadian universities have 12 years of experience with unionized faculty. Academic staff at 43 of our member institutions engage in collective bargaining, either through certified unions or under special plan agreements. Over those years, information networks have developed, both amongst faculty, with the focus on CAUT, and among university administrators, through the active AUCC university staff relations office and the efforts of our recently appointed legal counsel.

Every university in Canada is now wrestling with the problems resulting from the age profile of our faculty combined with the projected fluctuations in student populations. The hiring practices of the 50s and 60s have resulted in a professoriate 35 per cent of which is between 45 and 59 years of age and 54 per cent of which is between 40 and 59 years of age. The prospects for teaching and research careers at Canadian universities are not attractive at this time. In the short term, there will be few new teaching positions open and faculty already in place will be loath to move about in the system. In the longer term, if projections are accurate and enrolments do increase significantly commencing in 1990, this may happen at the very moment a great number of today's teachers approach retirement age. The process of adjustment to these short and long term conditions is further complicated by the shift in student program choices to which I have already referred. Before long, Canada may find itself in the same position as 20-30 years ago, dependent upon the graduate schools of other countries to staff its universities.

I believe it is critical that we undertake research into this area with a view to convincing the governments of this country of the prospect facing Canada. This very kind of program was successfully mounted by the AUCC years ago when the enrolment projections of those days gave cause for alarm. I suggest that this is a major piece of work for the AUCC.

International

Canadian universities have pulled together in many ways provincially, regionally and nationally through a revitalized AUCC. I believe it is also important for us to play our proper role at the international level. I am frequently struck by the extent to which our colleagues in other countries look to Canada to take leadership in international affairs. I am afraid that we sometimes overlook the importance of these relationships as we concentrate on Canadian issues. As president of AUCC I attended the OECD meeting in Paris in October 1981 where an impressive group of individuals discussed the major issues confronting world-wide higher education in the 80s. More recently, Allan Gillmore represented the association at another OECD meeting, this one hosted by the organization's Program on Institutional Management in Higher Education. While I doubt Allan heard much that he had not already heard before, I suspect that he found the meeting most useful for the contacts and the informal discussions.

Many Canadian universities are members of the International Association of Universities. This association provides contact with our European colleagues. Our French-language and bilingual institutions are members of AUPELF. The majority of Canadian universities belong to the Association of Commonwealth Universities, perhaps the most active of the international organizations with its regular meetings and its communications, scholarship and appointments programs. Four Canadian presidents sit on the ACU council ex officio. While there is some disagreement about the appropriate academic relationships between Canadian universities and those located in countries suffering under some form of political duress, there is considerable Canadian university and government involvement in the Interamerican University Organization. Canadian universities have an important part to play on the international scene and active involvement in these organizations is good means of fulfilling this role.

Government Relations

The increased time and effort that have been invested during the past year in fostering our relations with governments are starting to pay dividends. The profile and the prestige of our association in federal and provincial circles has increased. I am not suggesting that our lobbying activities have been successful on every front; there have been failures and frustrations. Allan Gillmore will give you the details and the score card for the past year in his annual report.

In some areas, our arguments met with success. The federal Minister of Consumer and Corporate Affairs will now consult AUCC before creating new universities via federal letters patent. The provisions affecting charitable foundations contained in the November 1981 budget have been changed to our satisfaction. Tariffs on certain chemicals have been rescinded.

Our failure to have policies changed must also be acknowledged. The two-tier advertising regulations remain in effect and no exemptions other than business and administration have been granted. The words "designed for" are still anchored in the Excise Tax Act. NSERC still has not received supplementary funding for 1982-83.

Despite the failures, our efforts have benefited the community. We now have an effective voice in Ottawa to protect our interests. This voice is heard in senior circles. While it may not always result in decisions to our immediate benefit, we are being consulted by politicians and senior civil servants in the formulation of long-term policies that will affect our institutions.

We have not focussed our attention on federal initiatives to the exclusion of provincial developments. It is clear, however, that provincial interests are the major concern of the provincial and regional associations and of those institutions directly affected. While the national association must remain abreast of developments on the provincial scene, it has not and will not duplicate the efforts of its sister organizations.

The AUCC, however, has a role to play in keeping provincial ministers of education informed of developments in other parts of the country and of federal initiatives that may affect postsecondary education. Our relations with the Council of Ministers of Education have also shown a marked improvement during the past year. The AUCC staff assisted the CMEC in the planning of their conference on postsecondary education that will be held in Toronto later this month. The Hon. Doug McArthur attended our March meeting in Victoria in his capacity as then CMEC chairman. The Hon. Bette Stephenson, as current chairman of the council, had planned to address this assembly this afternoon; provincial responsibilities intervened at the last moment to make it impossible for her to leave Toronto.

The contacts that have been developed at the federal and provincial levels must be carefully sustained and strengthened. The association has been mindful not to be, and not to be seen to be, in either the federal or the provincial camp. As a result, our stock in trade and our credibility with both levels of government remain high.

I would like at this point to report on my most recent efforts to represent your interests in Ottawa. Your executive director and I have met with the Honourable Marc Lalonde, the new Minister of Finance. I have every reason to believe that we will also be meeting in the very near future with the Honourable Jacob Austin, Minister of State for Social Development, and with the Honourable Serge Joyal, Secretary of State. The purpose of these meetings is to acquaint the new ministers with the concerns of the university community related to the federal-provincial negotiation of the Established Programs Financing arrangements and to underline the importance of continued federal support for postsecondary education. I also received some time ago a personal invitation to meet with the Prime Minister and I have contacted his office to try to identify a mutually convenient date.

I should report, too, that I have met recently with the Commissioner of Official Languages. As we are all aware, Mr. Yalden has criticized Canadian universities repeatedly for their failure, in his eyes, to ensure that educated people in this country can function in both official languages. As Allan Earp attempted before me, I have tried to explain to Mr. Yalden the position of the universities and to review for him recent developments relative to bilingualism in our member institutions. I have also suggested to the commissioner that he should seek meetings with the academic decision-making bodies and discuss his concerns with our senates. This appeared to be a suggestion of some interest to Mr. Yalden and I have invited him to begin at the University of Regina.

Communications

I am concerned about our ability to communicate effectively with our various publics. I think that we have not been as successful as we might be at explaining to the public the role and activities of Canadian universities. Often this has been because, for whatever reason, appropriate resources have not been devoted to this critical activity. At our board meeting two days ago, the AUCC decided to proceed with the proposed Canada-wide universities' week in October 1983. This project will be rooted in local programs and initiatives, with some activities being planned and coordinated at the provincial or regional levels and other elements of the plan being handled at the national level.

I believe that each university and our various associations will want to place special emphasis on their communications and pr activities in the months leading up to the universities' week; I hope the program will mark a new beginning in our individual and collective efforts to keep before the public a sense of identification with and pride in our universities.

A recent development which is of importance to our pr activities is the establishment by the Social Sciences and Humanities Research Council and the Natural Sciences and Engineering Research Council of a news service that will gather and distribute stories about science to newspapers across Canada. The aim of the service is to bring the importance of Canadian scientific research to a wider reading audience. The universities are expected to be key information sources for this service.

* * *

I mentioned earlier that a great many events and activities were pursued in the first year of my term as president of AUCC. I have enjoyed my participation in all of these events.

I want to express my thanks to all the staff of the secretariat. They have done their utmost to lend every assistance to me. Their cooperation and dedication were the essential ingredients to the progress that AUCC has enjoyed over the past year.

REPORT OF THE EXECUTIVE DIRECTOR TO THE 1982 ANNUAL MEETING OF THE ASSOCIATION OF UNIVERSITIES AND COLLEGES OF CANADA

Introduction

When last I reported to you, it was to recommend for your approval a redefinition of the role and objectives of the Association. That report was developed over the course of my first year as executive director, a year during which I was able to visit each of our member institutions and to gain an insight into their concerns, interests and needs. It was also the opportunity for me to hear first hand what you expected from your national Association and what you were prepared to contribute to it. That report was endorsed unanimously by the membership when we met at Brock in 1981. It set the stage for act two, the reorganization of the secretariat to address the newly defined priorities for AUCC.

The past 15 months have been momentous for every one of the 70 staff members working at the secretariat. As you can appreciate, there were concerns about individual jobs, about changes in responsibilities and work loads, about the institution of new procedures. While we continue adjustments and improvements, I believe that that initial effort was worthwhile for all concerned. The senior staff recently met over a two day period to review the organization we put in place early this year and to discuss, in the frankest of fashions, the successes and the shortcomings of our handiwork. Further possible improvements have been identified and means of achieving them will be investigated immediately following these meetings.

Before proceeding, then, I would like to take the opportunity to acknowledge publicly the tireless efforts of our senior staff during the two years since I came to this office. The success of that period has been due in no small measure to their assistance and cooperation during the transition period which saw responsibilities transferred among existing and emerging divisions.

Review of activities

With your permission, Mr. President, I would like to introduce each of our directors as I report briefly on our activities within the framework of the current divisions at the secretariat as they have evolved to address the priorities of the association.

Communications Division

The communications division is headed by Rosemary Cavan. With the formation of a government relations division and the transfer of the staff relations information service to the financial and administrative services division, the communications division has turned its full attention to information dissemination, public relations, publications and liaison with member institutions and associate member organizations.

Also within this division, the agenda and documentation for meetings of the board of directors is assembled and disseminated. Minutes of the meetings of the board and of general assemblies, briefs and submissions are edited and distributed through this office. Activities pertaining to the public and media relations programs of the association are coordinated and carried out by this division in close association with myself, the associate executive director and the government relations division.

At the request of the board, the director of this division was responsible, in consultation with Principal Johnston, for the implementation of a pilot series of four reports on the public, business and government relations activities of member institutions. Based on that experience, the concept has been altered and the report has been converted to the government relations monthly newsletter to which I will return later in this report.

The communications staff responds to numerous requests for information and assistance on a broad variety of subjects related to Canadian higher education. In addition, they are required to have a general knowledge of higher education in other countries and the inter-relationship with Canadian universities.

A new layout design and typeface have enlivened the basic format of *University Affairs* (circulation 26,000) which published 10 issues during the report period. This periodical maintains its reputation as the principal medium for general communication among Canadian universities. Subjects covered in regular feature articles included: EPF; a critique of the report of the Canadian Bureau for International Education on foreign student policy in Canada; faculty hiring rules; research funding policies; alumni giving; graduates and employment; English language proficiency; research parks and women in science. Features appeared regularly on individual universities and groups of institutions. *University Affairs* also reports news items, coming events, appointments and new publications. A new initiative in the past year was the publication of occasional editorials which have sparked considerable reader reaction and letters to the Editor.

A new advertising policy should attract the advertisement of products and events pertinent to the academic audience and should enhance *UA's* long-standing role as the principal vehicle for the advertisement of academic vacancies. I am pleased to report the success of our application to obtain second class mailing status for the paper. We anticipate a 35% saving in postage costs which will help to offset overall increases in costs of publication.

In partial fulfillment of the mandate of the division to communicate with our member institutions, twenty-one issues of the biweekly newsletter, *Notes for AUCC/Info de l'AUCC*, (circulation 1,200) were researched, written and distributed to provide brief and timely reports of relevant events and issues to senior academic and administrative officers.

The annual *survey of university fund-raising campaigns* was undertaken in February and the report published in April. Recipients of the report include university presidents, development officers and information directors, and some 350 corporations in Canada.

A total of 11 media releases during the report period dealt with AUCC statements on: the AUCC brief and subsequent response to the report of the Parliamentary Task Force on Federal-Provincial Fiscal Arrangements; responses to the Allmand and Dodge reports on manpower planning; two general meetings of the association (Victoria and Winnipeg); and the association's response to the November 1981 federal budget. In addition, two releases announced the recipients of national scholarships administered by the association. As a further media contact, a regular first-class mailing of issues of *University Affairs* to media representatives included occasional tip sheets highlighting the contents.

In addition, the information staff prepared numerous information kits for media representatives, secretariat guests and others to provide relevant and accurate background on Canadian universities and the higher education issues of the day.

The annual directory of *Academic and Administrative Officers at Canadian Universities* was released in January 1982 and work is almost completed on the next edition to be released this month.

Information for the 1982-83 edition of the biennial *Directory of Canadian Universities* was collected and compiled with release of this publication also planned for this month. The previous edition, of which 3,846 copies were printed, was sold out by February 1982.

In addition to the course information sheets listing programs offered by our member institutions and published as an off-print to the Directory, this division regularly revises its information monographs for foreign students and for those seeking to teach in Canadian universities. The division is also called upon to revise the annual entry on AUCC in the Commonwealth Universities Yearbook, reference papers on Canadian higher education published by the Department of External Affairs, and various other compendia.

The division is responsible for the maintenance of regular liaison with the Association's 32 associate members. To this end, orientation kits about the AUCC and its relationship with these organizations are distributed as their executives change. The minutes, newsletters and reports of associate members are monitored for possible AUCC action or response. Associate members are kept informed of AUCC activities and concerns, and documentation and literature received by the secretariat is monitored for subjects of possible interest to them. Relative to the division's activities regarding associate members, it was with pleasure that I learned of the director's recent award from the Association of Canadian University Information Bureaus in recognition of her accomplishments.

Government relations division

Mr. Robert Patry is the director of our new government relations division. This division was created to support the lobbying and advocacy role of the secretariat in its relations with governments. Within this Division, not a day goes by that we are not talking to various people in government about universities, their needs, concerns and aspirations. To this end, government relations is charged with establishing and maintaining close contact with elected and appointed officials, particularly in Ottawa, and with senior staff of federal and provincial departments and agencies related to university education.

Through its monitoring practices, the division ensures that federal policy papers, regulations and draft legislation are identified and analyzed for their potential impact on universities. This sector works closely with the regional organizations and is responsible for communicating findings to our members and associates and for planning and coordinating such oral and written responses as are appropriate.

The association is working closely with the Canadian Association of University Teachers (CAUT) and the Canadian Federation of Students (CFS). Regular meetings are held with senior staff of these associations and at a recent session senior representatives of the Department of the Secretary of State were also present and participated fully in our discussions.

During the past 15 months, our relationships with the Council of Ministers of Education and with various federal government departments, particularly the Department of the Secretary of State, have been strengthened considerably. We enjoy a close working relationsip with the senior staff of both offices and relatively easy access to the Ministers responsible. I and some of our senior staff are in regular contact with Lucien Perras at CMEC, Huguette Labelle and David Cameron at Secretary of State, and other senior government officials. These relationships have proved valuable on a number of occasions as AUCC has been made aware of the direction policy discussions were taking and has had an entrée for the expression of its own concerns.

The introduction of a monthly newsletter on government relations will enable the division to keep the executive heads of our member institutions informed of developments in Ottawa and in the provinces that may affect the universities. The newsletter will report on the association's lobbying activities, provide an overview of developments in the provinces and the regions, describe federal initiatives of interest to the university community and list university related federal legislation, regulations and Orders in Council. The first issue was mailed to our executive heads just two weeks ago and a few extra copies are available here today for any who may not as yet have seen it.

In addition to functions under its specific mandate, this division has represented AUCC on the planning committee for the next meeting of the International Federation of Catholic Universities (IFCU) to be held at the University of St. Michael's College in August 1983; and at meetings of the Advisory Committee established by the Council of Ministers of Education, Canada to plan the October 1982 Canadian conference follow-up to the OECD theme "Postsecondary Education Issues of the 1980's".

The vital role played by your president, by the executive heads of our member institutions and by the regional and provincial associations in our lobbying activities must be recognized and acknowledged. The enthusiastically positive response from executive heads to our requests to meet with Cabinet Ministers and Members of Parliament and to express their concerns in writing on specific issues to their elected representatives has enabled the AUCC to present clearly and forcefully the concerns of the universities to government in Ottawa and to develop a profile and credibility that will benefit our members in the coming years.

Briefly, the following topics have figured prominently during the past year in the concerns of the government relations division:

1. Established Programs Financing (EPF)

EPF has been without doubt the most important issue addressed by the association during the past year and more. The secretariat has made every effort to keep you fully informed and, of course, EPF, and the future funding of universities, were the subjects of our March 1982 meetings in Victoria with Gerald Regan and Douglas McArthur. Dr. Barber and I met just last week with the Hon. Marc Lalonde, the newly appointed Minister of Finance, to discuss this extremely important issue.

The director of the government relations division, who serves as secretary to the AUCC EPF committee, chaired by Dr. Forster, has maintained a close working relationship with those agencies responsible for developing federal policy on postsecondary education: the Ministry of State for Social Development and the Department of the Secretary of State. It is anticipated that legislation on the federal support to postsecondary education will be introduced in the House of Commons by January 1983 to become effective on April 1, 1983.

2. C-57 - Excise Tax Act

To date, concerted efforts by the secretariat and by the executive heads of AUCC member institutions to have the words "designed for" in the legislation deleted or changed have met with little success. Information is currently being gathered to refute statements made by the former Minister of Finance that the cost of equipment acquired by universities will not be significantly increased by the "designed for" provision. At the same time, as a result mainly of the efforts of CAUBO, the Department of Finance has approved a number of temporary tariff items and tariff reductions for several groups of chemicals which will result in modest annual savings for universities of approximately $500,000.

3. C-10 - Non-Profit Corporations Act

A major lobbying effort was undertaken to alert the Minister of Consumer and Corporate Affairs (CCA) and the Provincial Ministers reponsible for higher education to the threat that the issuance of federal letters patent for the purpose of creating degree-granting institutions represented for the integrity of Canadian degrees. As a direct result of this lobbying effort, the Minister of CCA agreed to entertain an amendment that would respond to the objections of the university community. In addition, departmental procedures which would keep any new applications in check were introduced.

It now appears that, owing to other unrelated pressures, C-10 will be allowed to die on the order paper. In place of the amendment to the

Bill, therefore, the Minister has proposed, and AUCC has agreed, that future applications for federal letters patent including the power to grant degrees will be referred to AUCC for comment prior to any action on the part of his Department.

In addition to our efforts in this regard at the federal level, the AUCC has suggested means of controlling this situation at the provincial level. To date, Prince Edward Island has passed legislation, Ontario has reintroduced earlier draft legislation, Nova Scotia has a Bill ready for introduction at the next session of the Legislature and several provinces are studying their existing statutes to cope with this problem in their own jurisdictions.

4. Employment and Immigration

(i) Two-tier Advertising

Although many representations were made to senior officials of the Department to secure exemption from the regulations for certain fields of study, the Minister has refused to recognize the validity of the university problem.

ii) *Work for Tomorrow* and *Labour Market Development in the 1980s*

Both federal and provincial levels of government and the media have been made aware of the AUCC response to these reports.

5. Taxation

(i) Charitable Foundations

In response to pressures exerted by universities and other groups regarding the requirement of a 90% disbursement of Foundation income following the November 12, 1981 budget, the Minister of Finance changed the provision to require that Foundations make annual disbursements of at least 5.4 percent of the fair market value of all their investment assets. This change was warmly welcomed both by the Foundations and recipients of their support.

(ii) Free Tuition

The Minister of Revenue Canada did not accede to the AUCC request that free tuition should be treated as a scholarship to be taxed in the hands of the student.

6. Foreign Investment Review Agency

In response to an Order in Council, allowing the University of Bridgeport, Connecticut, USA, to establish a business in Toronto to offer a weekend program leading to a Master of Science degree in Biology/Nutrition, AUCC wrote to the Under-Secretary of State requesting that the Order in Council be reconsidered and asking that, in the future, consultation on all matters at the federal level pertaining to postsecondary education be held between the Department of the Secretary of State and the University community. M^{me} Labelle has agreed to review this matter on our behalf.

Financial and administrative services

Under the direction of Mr. Ab Larose, the financial and administrative services division operates through four sections:

1) General services which encompasses purchasing; personnel; mail services; translation; proofreading and a range of logistical services for conferences and meetings.

   Central to the secretariat's capacity to operate smoothly in providing a host of related activities has been the establishment of a word processing unit; the initiation of a new records management program with key-word access to all official records of the association; the installation of an AUCC-owned sophisticated telephone service with teleconferencing capacities.

   Job descriptions have been developed for all positions. Pursuant to a study and report by Touche Ross, salary classifications, remuneration and a formal review of appeals procedure have been established through this section. We are now developing a comprehensive secretariat personnel policy and procedures manual.

2) The contract section is responsible for the administration of the Commonwealth Scholarship and Fellowship Plan; the private and Canadian Awards Program, the Foreign Governments Awards. All of these programs, which are fully self financing, provide an important liaison function related to academic selection committees and international contracts and enhance the image of the AUCC both nationally and internationally.

3) The finance section provides a full range of completely computerized accounting and financial services to the secretariat and, on a cost-recovery basis, to 42 other affiliated or related organizations.

4) The new university staff relations section has experienced a substantial increase in activity in response to a growing demand for information in this area. As a regular means of communicating with the membership, with the U.S. National Center for the Study of Collective Bargaining in Higher Education and the Professions in New York and the McGill University Labour Agreements Data Bank, this office has established a data bank of University Faculty agreements. In addition, it maintains an index to arbitration awards (rights and interest).

   The director of this division has considerable administrative experience relative to Faculty and Support Staff unionization. In addition, the newly created position of associate executive director-legal counsel has enhanced the association's role in this area. Mr. Boucher has given of his expertise and experience in the field of Faculty collective bargaining both by long distance telephone and in person as an invited consultant to a number of member institutions.

Research and analysis

In recognition of the need to maintain an effective research and analysis capability within the AUCC, a new division directed by Marino Kristjanson has emerged from the research sector of the former national programs division.

The director of this division oversees the operations of the documentation centre, which too has been reorganized as AUCC priorities have been redefined. The staff have undertaken the establishment of an archives of AUCC documents and publications.

The holdings and services of the Centre are essential to the activities of all divisions of the secretariat and the centre is often called upon to loan documents to member institutions. A regular column in University Affairs attempts to keep the membership informed of recent acquisitions and new publications. The creation of a government relations division has broadened the subject base of this collection.

In cooperation with COU, and under the direction of President Lee, the AUCC submission in response to the federal task force report on Labour Market Development in the 1980's was developed. The Laforge report relative to universities and the official languages was updated and a survey of university-level courses offered by other than regular educational institutions was undertaken and a report prepared.

The annual Inventory of Research into Higher Education was published in March, and work was begun on a research resources inventory. Historical analyses were prepared on two current issues: federal funding prior to EPF; the Constitution as it pertains to federal responsibilities for postsecondary education.

This division also undertook the initial evaluation of an NSERC proposal for the development of a National Inventory of Research Equipment. In addition, the division provided information on, or undertook critical analyses of, a host of subjects including the Canadian Teachers' Federation proposal for effective core French-as-a-second-language program; the MOSST proposal for a study of part-time education; the Employment and Immigration study of the Impact of High Technology on Employment. The division worked closely with Dr. Ron Baker who undertook the recent AUCC review of associate membership and with Dr. Brian Tinker relative to the study of AUCC institutional membership particularly as it pertains to accreditation.

This division was represented at the monthly meetings of the Consortium of National Scientific and Educational Association, at the annual conferences of some of the association's associate members and at the Learned Societies. The director of the division represented the AUCC on the program planning committee for the ACE/AUCC joint meeting to be held in Toronto in October 1983, and acted as Secretary to an ad hoc committee on university research policies. In addition, the director attended a number of meetings with foreign visitors, usually academic administrators, from Sri Lanka, University of West Indies, Sweden, India, Finland, Scotland and Somalia to describe the Canadian higher education system.

International relations division

Our international relations division is headed by Gail Larose. With the shifting of responsibility for the contract administration of the three awards programs to finance and administration, the international relations division has been streamlined and activities have been focused on fostering the association's relationships with universities, government departments and agencies, and other organizations in all matters pertaining to, or affecting, higher education in developed countries.

This division has continued to assist the Department of External Affairs by providing contacts and technical assistance for its Canadian Studies programs in Britain, France, Germany, Australia and particularly Japan, for which AUCC has recruited most of the Canadian Studies Visiting Professors. This division also administers the Japan Foundation (Tanaka) Trust Fund for the promotion of Japanese studies at Canadian universities.

The division's activities have included representing the university community in a host of bilateral cultural discussions and other meetings both in Canada and abroad. Among these was the first regional committee meeting in Paris of states that had ratified the UNESCO Convention on the recognition of studies, diplomas and degrees in the European region. Copies of the Convention, which calls for ratifying states to set up information centres on degree equivalences, were circulated to AUCC member institutions in early 1981 and the response has been favourable.

Discussions currently are being held with the Association of Registrars of Universities and Colleges of Canada and the Department of the Secretary of State concerning the need for a central information office where details of degree equivalence may be obtained and where a data bank of such information would be maintained.

Parallel to activities related to the equivalence dossier is the service of analysis of academic credentials. This service was suspended in 1980 pending review and was reinstated for the use of AUCC members in May 1981 relative to particularly difficult cases. Over the past year 77 requests were handled.

The division is also concerned with facilitating inter-university contacts between Canada and developed countries with a view to institutional linkages and faculty exchanges, and for joint research projects. In this regard, a project has been formulated involving the National Polytechnic Institute of Mexico and several Canadian universities in the field of nuclear power engineering. Funding for this project has now been guaranteed by Atomic Energy of Canada Limited and CIDA. In addition, liaison is maintained with a number of organizations both in Canada and abroad in order to promote inter-university cooperation. In one case, the director was involved in on-going discussions with the academic community, the granting agencies and the Department of External Affairs with regard to the continued suspension by the Canadian government of academic exchanges with the USSR. In another, the division described Mexico's interest in cooperation with Canadian institutions before a Parliamentary sub-committee.

The division arranges study tours to Canadian universities for foreign visitors; these arrangements usually include the provision of information about the Canadian system of higher education during a visit to the secretariat. Information about our member institutions is also provided to foreign contacts during the director's visits abroad and via the Department of External Affairs and Canadian missions abroad.

International development office

The international development office which is directed by Michael Oliver, is concerned primarily with university linkages with developing countries.

During the report period, IDO liaison activities were extensive and included contacts with representatives of Canadian universities, CIDA, IDRC, NGO's, embassies in Canada and representatives from overseas universities. This division has continued to act as a clearinghouse for information on university development centres and international activities in the Third World while providing direct contact and communication with universities here and abroad. The division has also undertaken to monitor CIDA and other federal government development policies as these might affect the development activities of universities. Joint representations through the Canadian Council for International Cooperation have been made to CIDA and the federal government on issues of mutual interest to NGO's and on Canadian development policies. During the report period, the division has assisted in encouraging 41 development linkages through work on projects referred to the division by CIDA, IDRC, and Canadian and overseas universities, or initiated directly through international liaison contacts by IDO officers.

The creation of a *Directory of Canadian University Resources for International Development* will be an important element in the communication/information activities of the division. The Directory, which will be published in the near future, will ensure that the research and development experience available in the Canadian university community can be effectively matched with the needs of developing countries. This will be particularly important for smaller campuses with limited access to international resources. Through the mounting of three regional conferences, considerable information and experience was shared on various university projects and CIDA/IDRC's funding roles, administrative organization of campus development offices, as well as current issues in government development policies.

The IDO *Newsletter* has undergone changes in format and content and the circulation extended to university faculty, all university libraries along with embassies overseas, Third World embassies in Canada and selected NGO's. The division is planning to improve the flow of information to universities in 1982 and will develop new forms of communication which will complement the *Newsletter*.

Cooperation with CIDA has continued to be close and cordial throughout the report period, and this has facilitated increased direct contact between the universities and CIDA. Of particular importance have been discussions concerning the criteria for university projects. In addition, work continues on a model bilateral contract between universities and CIDA.

Relations with IDRC have remained close and the IDO has been encouraged by the overall growth of the centre's programs with Canadian universities. The IDRC has also been a consistent and active participant in the activities of the IDO.

The IDO is now fully integrated within the administrative structure of the AUCC, which has assumed some indirect costs for the operation. It is gratifying to report that funding for all direct costs has been assured for another three years by the federal government. We also are indeed indebted to the IDO advisory committee, chaired by John O'Brien and to the liaison committee under the chairmanship of Roger Guindon for the advice that they have provided to your board for the manner in which they have looked after the interests of the university community in our relationships with CIDA and IDRC.

Services to associate members and liaison with CAUBO

As you are aware, there has been for many years a particularly close relationship between AUCC and one of its associate members, the Canadian Association of University Business Officers. The AUCC frequently has turned to CAUBO to undertake special projects relative to the finances of our universities, to comment upon federal legislation, and to assist AUCC in the preparation of position papers and submissions.

In the past year, this relationship has taken on a new and important aspect. A secretariat service for AUCC associate members has been established within the CAUBO office which is physically located in the same premises as the AUCC secretariat.

The associate members currently availing themselves of this service include the Association of Canadian University Information Bureaus, the Canadian Association of University Development Officers, the Association of Registrars of Universities and Colleges of Canada, and the Canadian Association for University Continuing Education. The executive director of CAUBO, Mr. Ken Clements, participates in all of our staff meetings and we share copies of correspondence relative to all policy matters. I believe that these interrelationships will go beyond the improved delivery of services of these groups so important to the lives of our institutions.

It has been an eventful and, I believe, valuable year. I think that, together, Dr. Barber's report and my own provide as clear a picture of the results as any written or spoken words, after the fact, can do. I think, however, that attitudes toward AUCC and feelings about the association speak more eloquently of what has been accomplished. I have enjoyed my part in it and I have the distinct impression that many of you feel a stronger affiliation with the AUCC. I want publicly to thank

Lloyd Barber for his support and constant good humour which have helped to turn every task and difficulty into a challenge, an opportunity to be used to our collective advantage. May the years ahead continue to be as challenging and as stimulating for all of us.

"OPERATING WITH RESOURCE CONSTRAINTS - SOME REFLECTIONS"

Harold T. Shapiro
President
The University of Michigan
Ann Arbor, Michigan

Key Issues

(1) There has never been enough money to satisfy the legitimate aspirations of a truly enterprising faculty or administration.
(2) Optimal strategies for the deployment of University resources are institution specific and difficult to locate. Moreover, intuition may be a poor guide.

-OR-

"Life is not a spectacle or a feast, it is a predicament"
Santayana

I address this topic with a justifiable sense of humility. Among this audience are a large number of colleagues with more experience than I have in successfully piloting major universities through periods of resource constraints. Perhaps David Johnston asked me to speak to you today because the University of Michigan has been experiencing a few difficult years in the area of state financial support, and he is attracted to the old Chinese proverb, "To know the road ahead, ask those coming back". For reasons I will outline in a moment, this proverb may not prove a wise guide for any of us. In any case, when David asked me if I would organize some thoughts on this matter that might generate some interesting and useful discussion, I agreed largely out of my admiration for David, my loyalty to my alma mater, McGill University, and my desire to participate rather than out of any sense of my own special expertise in this area. With this caveat in mind, I will launch straight into the subject.

What is meant by "resource constraints"?

If "constraints" were to be defined merely as "perceived limitations", then resource constraints can be said to have characterized the entire history of higher education, college by college. There has never been enough money to satisfy the legitimate aspirations of a truly enterprising faculty or administration. I am confident, however, that this broad definition of resource constraints is not what the organizers of today's program had in mind. Surely they had a somewhat narrower and more timely concern for your 1982 meetings. For purposes of my remarks, I will take the concept of "operating with resource constraints" to refer to a situation with two key characteristics.

These characteristics are:

(1) the academic community comes to believe that the real resources (faculty, facilities, etc.) that they will have available from traditional sources for deployment in future years will be fewer than they have available today; and

(2) the academic community desires to maintain or enhance its distinction as a center of education and/or scholarship.

Even in this more restrictive framework, however, the issue is enormously complex, and the development of appropriate strategies in such an environment requires careful consideration of a number of complex and interrelated factors. Let me highlight a few.

First, it is clear that we must deal with the issue in a dynamic and not a static sense. Toynbee's remark that, "Civilization is a movement and not a condition, a voyage and not a harbor", surely applies as a description of a vibrant university whether faced with new resource constraints or not. As administrative heads of institutions, each one of which is embedded in its own special history, we must look at the availability and deployment of resources as outcomes of processes taking place over time, and often rather extensive periods of time. The natural life cycle of any substantial academic initiative, for example, is probably measured in decades. As any biologist, economist, or electrical engineer will attest, the behavioral characteristics of a dynamic system are much more complex than those of a static system. In particular, we cannot always trust our intuition in dealing with a complex, time-dependent problem with many interdependent feedback loops. Optimal solutions in such cases can have rather surprising characteristics.

Second, once we acknowledge the dynamic, time-related aspect of the problem, we must simultaneously acknowledge that we will have to deal with complex sets of interrelated issues. The nature of the problem we face in altering some of the behavioral characteristics of the system and in locating the set of feasible and then optimal solutions must take into account at least the following factors:

(1) Initial conditions: What is the nature of the path that brought the university to its current place and what is the current condition of the university? In terms of its current condition, we must consider not only the spectrum of university activities and their quality, but how these relate to the objectives and aspirations of the institution. In particular, it will be important to assess both how closely an institution stands to its overall objectives, and whether it is moving toward them or away from them. It also makes a big difference whether an institution feels its current resources are deployed in an optimal manner or not. For example, if resources are now distributed in an optimal manner it might make simple "across-the-board" adjustments an optimal policy.

(2) Uncertainties: Projections and forecasts will have to be made about future developments over which we have little or no control. It is rather unlikely that an appropriate solution can be formulated by optimizing over a period so short that all relevant variables are known. Particularly important here are the expected time profiles of resource availability (revenues) and costs. Needless to say, judgments regarding the future nature of education and scholarship remain important factors. Here, as in many other situations in life, we come up against one of Kierkegaard's conditions,"... life must be understood backwards. But ... it must be lived forwards".

(3) A rank ordering of a set of interdependent objectives: In most cases, balancing the budget is a trivial matter. What may be difficult is to try and balance the budget while maintaining the capacity of the institution to meet its various objectives over time. If an institution responds by continuously adopting less demanding quality objectives, we can think of this not as a solution to the problem, but as a solution to a quite different problem.

(4) Flexibility: The key issue here is the capacity of an institution at any point in time to reallocate resources within a relevant time frame. The parameters that affect an institution's response time include: the tenure and age profile of the faculty, the nature of the traditional and legal decision-making process, the distribution of the institution's resources between physical and human capital, etc. The charactersitics of a university's "stimulus-response" pattern can have a critical impact on the nature of the preferred strategies for that institution. The collegial strength and decision-making traditions of the particular academic community may also have a great impact on the nature of the feasible solutions. Each university has somewhat different traditions in the area of collegial decision-making and governance, but I cannot resist recalling at this point a statement attributed to a well-known college president, "How can I democratize this college unless I have absolute authority?"

(5) Commitment, communication, morale: Although each university may define a somewhat different community for itself, its long-term viability requires a joint and serious commitment of its members--faculty, staff, and students--to a common vision. At a moment when an institution is adjusting to new resource constraints, a sense of history and joint commitment to the future of the scholarly community are critical. It will, however, normally be a time of unequal sacrifices--a situation that can generate serious tensions. Such tensions can only be overcome by a serious commitment to the university's future. This makes accurate and timely communication essential, but faculty in particular are unlikely to read "missives" from the university administration. In addition, faculty members and students in each of the separate disciplines at times seem more clearly bound--both intellectually and emotionally--to

their disciplinary colleagues at other locations than to the fellow members of their local academic community.

(6) Principles and praxis: Everyone is in favor of selective budget cuts--in principle. The idea that an institution should reallocate its limited resources to its areas of greatest merit rather than following a "mindless" policy of "across-the-board cuts" enjoys greater favor at most faculty meetings. I would, however, have the following two observations. First, the information requirements of a selective budget cut policy are very high and include a carefully and operationally articulated view of the comparative strengths of an institution. Second, in practice, a policy of selective budget cuts tends to isolate particular groups and they, quite understandably, fight back hard. The resulting "discussion" often makes academic communities uneasy and may be demoralizing. Finally, to the extent that faculty groups are directly involved in decisions, for example, to discontinue certain programs, there is the inevitable risk of generating serious dissension within the faculty itself. Direct faculty involvement in the process, therefore, has both pluses and minuses.

(7) Equity, fairness, efficiency: It is a challenging task to balance our responsibility for the efficient use of resources with appropriate concerns of equity and fairness. Issues of equity and fairness are as important for the future vitality of a scholarly community as is the more tractable issue of the efficient deployment of resources. The social fabric of a university or college is a very special cloth and rents in it are difficult, if not impossible, to mend.

Third, we must face the fact that we have only an approximate idea of the nature of what economists would call the "production function" of a university. By this I mean that the relationship between various combinations of inputs (faculty, students, facilities, etc.) and the resulting outputs (education, scholarship, service, etc.) is not understood in a very exact way.

Finally, the external environment within which any adjustment is contemplated will have a major effect upon institutional possibilities. Such external issues include: shifting demographics of the national population, changing social and political attitudes, government finances, economic conditions, etc. Despite the impact of these external factors it is critical that we continue to take responsibility for our future. Even in difficult circumstances an academic community must find a way to summon the necessary will and energy to defend its most critical role in society--as a center of critical inquiry and learning.

These factors, of course, merely represent themes in the complex counterpoint of issues at any individual institution. As a relatively new president, I sometimes feel that getting to understand the complexities of a major university is like peeling the proverbial onion, and I find little consolation in the old French proverb, "Life is like an onion and one peels it crying". What we all have to hope is that our tenure as presidents is not also characterized by the African proverb, "By the time the fool has learned the game, the players have dispersed".

The notion of resource constraints, then, involves a complex equation between the conditions set down by our institutional history, what we want for ourselves and our institution now and in the future (objectives), and what means are expected to be available for accomplishing these wants (resources). Adjusting any component of this multidimensional, time-dependent problem affects the whole, and the problem, therefore, is invariably a complex one. For such a task, no simple recipe is available, whether it is "smaller but better", "bigger is better", or "status quo is best". Clearly, however, whenever there are limited means available, real adjustments, either in aspirations or current programs, will inevitably take place. It is probably useful to try to steer the process. As Lewis Carroll pointed out, however, "If you do not know where you are going, any road will get you there".

The University of Michigan

The University of Michigan is a large state-assisted university with major commitments in the areas of undergraduate and graduate education, professional education, advanced research training, and scholarship. As indicated in the addendum to Table I, the Ann Arbor campus enrolls about 35,000 students. Almost all students are full time and about two-thirds are undergraduates. In total we have approximately 4500 instructional staff, with 2800 of this total being full time faculty. The remainder are graduate student teaching fellows. At the current time, the state of Michigan supplies about 50 per cent of the finance for our core instructional and research budgets although this state support accounts for only 18 per cent of the total university budget. This 18 per cent figure, however, is somewhat deceptive, since medical care delivery (hospital and professional fees) now account for one-third of the total university budget.

I will not dwell on the quality and distinction of the university's programs, save to note that we believe the university has met with distinction its overall commitment to education, scholarship, and public service. At the same time we certainly could be and must be better than we are.

Over the last decade, the university's general fund budget--covering our core programs--has declined in terms of real resources on an average of one per cent per year. Direct operating support from the state of Michigan has declined a good deal further than the overall budget figures indicate. Since 1972-73 the inflation-adjusted state support has declined by an average of 3.2 per cent a year. Sharp increases in student fees generated somewhat more stability in the overall budget. It has been the most recent years, however, that have been the most difficult in terms of state support. In the last three years state support for current operations declined by 7.7 per cent per year in inflation adjusted or real terms. These figures are displayed in Table I. I will not discuss the funding of capital requirements here, but state support in that area has also sharply declined.

This last decade, therefore, has been a difficult time of transition in the level of state support. The university moved from a level of generous state support to a level of state funding which is insufficient by itself to support a university of distinction. Given our assessment of future state support and our continuing commitment to quality, we knew that we would have to make difficult adjustments in our program as well as develop new sources of funding.

In the context of our particular situation we adopted three separate action plans. They are as follows:

> Self-help through careful internal reallocation of resources designed to move existing resources to areas of greatest merit and/or promise. At the University of Michigan the adjustments we are making impact directly on the diversity or spectrum of our programs and the source of our funding. It is our judgment that if we are to take our commitment to quality seriously, we will have to engage in fewer activities. In this context, we have envisioned our challenge as creating opportunity from adversity and have adopted the somewhat controversial slogan..."smaller but better".
>
> Renewed efforts to strengthen the partnership between the state of Michigan and the university, a step designed to restore a measure of the public support that the university has traditionally enjoyed in the interest of preserving the university's vital contribution to the economic and social well-being of the state. In this area, however, initial efforts are centered on developing non-traditional vehicles for state support (e.g., through the development of new non-profit entities with broad based constituencies whose operation nevertheless would have a positive effect on our academic

> programs). In the longer-run we hope previous channels of support will be at least partially restored.
>
> A greatly enhanced program of private support through gifts that, as with the great private universities, will provide the essential margin of support that is necessary to build and sustain quality programs.

Together, these efforts, based on disciplined self-help, restored state appropriations (perhaps using non-traditional vehicles) and enhanced private support, constitute the three parts of an integrated program of renewal that we hope can preserve and enhance the mission and performance of the university.

Epilogue

Studies of the dynamics of group organization show that there are two requisites for innovation over time: security and challenge. Just as insufficient security may result in anxiety, so a high degree of security may result in isolation from new ideas and practices. While it may be easier to continue to expand and grow, universities faced with a more restrictive environment and a more painful process of adjustment can also strengthen themselves in the process, if they act wisely.

What will ultimately sustain higher education is difficult to fully conceptualize and, hence, difficult to articulate. In years past, sacrifices were made on our behalf. Those sacrifices helped to sustain and preserve many of our institutions as we know them: academic communities of which we are proud to be a part. Now some of us may be called upon to make similar sacrifices to preserve our institutions for the future as a place to which quality faculty, staff and students would be attracted and to which they aspire. Let us listen to the words of Walter Lippman: "Besides the happiness and the security of the individuals of whom a community is at any moment composed, there are also the happiness and security of the individuals of whom generation after generation it will be composed". To think in this way requires that we balance short-term against long-term interests: that we look to the benefits for future participants in this community as well as our own, as some of our predecessors have done for us. It is to the future of the university that our present policies must be addressed.

It is often said of the position of a university president that it is a political job. As President Giamatti of Yale has pointed out: it is a political job if you think of a politician as a person who is engaged with others in making a polis, a community. This is certainly, in part, what a president does, but, in a more important sense, it is what the entire academic community must do: faculty, students, staff and alumni. We should each be engaged with others in making, defining, preserving and improving the scholarly community of which we are each a part. The nature of our roles will be different, but this aspect of our objective should not be. We should all be "politicians" in the Greek sense of that term, for part of what we must do is involved with the conditions of our common life.

Although each university may define a somewhat different community for itself, its long-term viability requires a joint and serious commitment of its members--faculty, students and staff--to a common vision. I return to this issue in closing because at a time of resource constraints a sense of community and a joint commitment to the future of the scholarly community are critical. We all can and must play a part in ensuring the continued vitality of higher education. It is not ordained that universities and their faculties be always richly endowed. It is much more critical that society continue to preserve the university's essential freedom to remain a critic of existing arrangements--whether in science or society. Our future depends even more on freedom preserved than on full-funding retained. New knowledge does not always require funds, but it does require freedom to determine the basic priorities of our critical investigations. If we in the university community are willing to use society's resources with discrimination and care and to rededicate ourselves to the truly important tasks facing us, the future can be an opportunity gained--an opportunity to turn fully to the issues to which we can make our greatest contribution. We cannot simply wish away the difficult sections of the road before us, but neither must we allow those difficulties to govern our course.

THE MANAGEMENT OF DIMINISHING RESOURCES: THE BRITISH EXPERIENCE

Sir Alec Merrison

Vice-chancellor, Bristol University

I am pleased to be in Canada at a time when one gets the impression that the Western World's economies are in such a state that countries are turning inward upon themselves. From the university perspective this is, of course, absolutely disastrous. We know that universities are part of one world and that academic work cannot be practiced locally. One practices it nationally and internationally. And so, it is a great pleasure and a privilege for me to be asked to join you at your meeting to talk about problems which are the common concern of us all.

My task today has been made very much easier by the first class analysis that we heard this morning from Dr. Shapiro who set out the problems very clearly. What I will do now is to tell you something of a case history within the general framework that Dr. Shapiro presented. He said that he spoke with a certain sense of humility, in that you might well be worse off than the University of Michigan. I do not share such humility. The universities of the United Kingdom are passing through a very difficult period indeed and I shall speak about our experience with diminishing resources. I shall try to avoid those things that are purely local and concentrate on those experiences that it may be profitable to share with you.

I think the lessons that one learns from cutbacks in university expenditures, at least in the developed world, tend to be of rather general application simply because the problems that affect the developed countries are rather similar. There is, of course, universal stress in the western economies at the moment. The international aspects of those economies are in some uncertainty. We are all dependent upon the birth rates of 15-20 years ago and, while the pattern is not absolutely universal, it is sufficiently similar to create comparable problems for us. For example, the higher education participation rate in the UK has fallen and it stubbornly refuses to rise. The number of 18 year olds going to university has risen. The number going into all forms of higher education, however, has dropped. We in Britain are also suffering from the fact that, in the last 10 years or so, universities have become very interesting to politicians. That is due partly to financial considerations; universities are big business these days. But it is also due to the great political forces that were at work in the universities in the late 1960's and early 1970's. Politicians have been unable to ignore these forces.

In the United Kingdom, during the 1970's at any rate, our real incomes declined slightly, but steadily; that was perfectly manageable and not at all difficult. The government wanted the decline to proceed more quickly, but it was reasonably easy for us to fight off that attitude. In May 1979, however, the present Tory administration came to power and they were absolutely determined to cut public expenditures. The main spring behind what has happened to the universities since is purely financial. There is very little, I think, that is educational about it.

The UK university system is essentially government financed. Leaving aside for the moment money that comes through research grants and contracts, all but a few per cent of an institution's money comes from government, part by way of grants from the Universities Grants Committee, part by way of home student fees, which in any case are paid for out of the public purse. So ours is a system that depends absolutely on government decisions.

The new government made its cuts in university incomes in two stages. In October 1979, six months after the Tories had come to power, they introduced a rather subtle form of cut. They argued that since 12 per cent of the students in British unibersities were from overseas, they would eliminate 12 per cent of university budgets over the next three years. They allowed the universities to raise overseas student fees as much as they liked to compensate for this loss of public funds; but there is, of course, a limit to what can be done in that respect.

The second cut was announced in March 1981 in the government's annual public expenditure paper and was a straightforward cut in funds across the board. The total effect of these two cuts is to remove, over a period of between two and three years, something like 15 per cent of the income of the universities. To some extent the cuts can be cushioned because we have not had to balance our budgets year by year and, over the years, the universities have been able to accumulate reserves. At my own institution, Bristol University, where annual expenditures are in the neighbourhood of 30 million pounds a year, we had reserves of about two million pounds that we could use to start to cushion the cuts. Income and expenditures, however, must be balanced by the Fall of 1983.

If you look at the spending of universities--and I suspect our experience is very similar to your own--something like 75 per cent of our expenditures is on academic and other salaries, and the other 25 per cent goes for the most part to expenditures over which we have very little control. If, therefore, you are going to make any serious diminution in expenditures, this has to be done through decreases in the salary budget.

The Universities Grants Committee (UGC) opposed the magnitude of these cuts. But their pleas were pushed to one side and, once the government had made up its mind what it was going to do, the committee was left with the difficult task of deciding how the cuts were to be applied. An early decision was that the universities could not take in the same number of students with a 15 per cent reduction in income and, since the UGC can in fact control in a broad way the numbers of students going into universities, the committee decided that enrolments ought to be cut by five per cent over this period. I think they did this for two reasons: they believed that the faculty/student ratio should not be allowed to slip by more than 10 per cent; and I think very much in their minds was the fact that the 18 year old cohort peaks in 1983-1984 in the UK and they hoped that this would generate a good deal of political steam which would be useful. I think the assessment that lead to the second reason was quite accurate. There has been a very considerable public outcry against limits on enrolments and, again as you would expext, as a result of the limitations, students worked that much harder to pass their entrance examinations. In fact, we were presented with an enrolment problem that was rather more accute than expected.

As I say, the budget cuts were not made for educational reasons. The last time we in the United Kingdom had a comprehensive plan for education was in 1972 when the government put out an excellent white paper entitled Education--a Framework for Expansion. We had at that time as our secretary of state for education a rising young politician, Margaret Thatcher, who went on to quite other things and to take quite other views of what government should do about these matters. But the present government wants to cut public expenditure and it has not been terribly successful in doing that, partly because we now have three million unemployed and, as a result, the social security bill is very large indeed. They were also concerned about the support given to overseas students in the UK, and the fact that the number of 18 year olds would peak in 1983-84, then decline slowly at first and sharply in the late 1980's and early 1990's. Those are the facts that were known to them. What was not known to them, of course, is that the birth rate since then has increased which means that the number of 18 year olds will start to rise again in the late 1990's.

The first thing one has to do when the government takes decisions of this kind is to argue that they are wrong and I guess we cannot complain in the United Kingdom that we do not have proper access to people of influence in this situation, including the prime minister. It was clear, however, that this was essentially a dialogue with the deaf and we did not make much headway. I think there is a first general lesson that one has to accept under these circumstances. When government acts from some very considerable doctrine that impinges on the universities, in a sense peripherally, you are not going to overturn that doctrine. You are going to lose the war and what becomes terribly important once that has happened is that you win all the skirmishes thereafter because certain it is there will be skirmishes. Since the government cuts were announced there have been several battles where we have been successful. For example, the treasury at one time wanted the cuts to go further. In 1984-85, by which time the universities were supposed to have plateaued and be in a period of stability, they wanted another seven per cent cut and that was successfully defeated. We have managed to win all sorts of battles partly because the ministers at our departments of education and science are now reasonably convinced that they have gone perhaps a little too far with the universities. That is not to say that they will not have fresh ideas about the way universities should be funded. Indeed they will. But they do see that they have been cutting back on the income of universities to a degree which perhaps cannot be sustained.

Another area where we were able to argue successfully was that of science and technology. We have in the UK a well developed research council system that is much like your own in Canada. The science budget was maintained level in real terms during this period and will continue to be so maintained. And that is really quite important. Two thirds of our basic research, and a considerable, and growing, proportion of applied research, is done in universities. The amount of applied research being done in universities is increasing for good and bad reasons. On the other hand, the universities offer good deals to industry or government departments. On the other hand, many of our industries, unfortunately, are cutting back on in-house research and research labs which I think is shortsighted on their part. Nonetheless, at this moment the conditions benefit the universities and provide them with a very considerable weapon in their negotiations with government.

The attitude of the UGC throughout this period was, of course, critical. In the first round of cuts, that resulted in the loss of income associated with overseas students, the committee simply allowed the cuts to fall where they would. That is to say that an institution which had a large number of overseas students -- the London School of Economics, for example, has about 30 per cent of its enrolment from overseas -- suffered very heavily; other institutions suffered not as much. The UGC had no option but to take that stance. To have done otherwise would have placed the committee squarely in opposition to government policy and that would not have been acceptable.

The second cut was formally announced in March 1981, although the universities began to learn what it was going to be towards the end of 1980 as the public expenditure paper for the coming year was put together. The UGC had to adopt a policy about the way it would apply these cuts to the universities. The committee worked to three main principles. It decided very early on that no institution would be closed. (It is fairly easy for the UGC to close an institution although it has no formal power to do so. All it has to do is give a zero grant for the next year and that is the end of the matter.) But the committee decided at the outset that no institution would be closed. The reason given was that good things were being done in all institutions and, therefore, they would not want to see any of them closed. I suspect also the political heat that closing a whole institution would have generated was more than the committee could have withstood and there would have been an intervention by ministers if anything like that had happened.

The UGC's second decision was that it would apply the cuts selectively on a subject basis. That is to say that they would work from the bottom up. They would look at the way a particular subject was being practiced in various universities, they would decide what the national needs were for that subject, and then the universities would be so advised. I think that in this they were over ambitious. I do not think that any central organization can perform that task in any very defensible way.

The third principle related to the way in which the UGC divides our students into three categories -- arts, science, medicine. Arts refers simply to any subject that does not require a lab. Science covers all lab subjects and medicine includes clinical medicine and clinical dentistry. The UGC decided that clinical medicine and dentistry should be left relatively untouched. There would, on the other hand, be a greater cut in arts than in science simply because at this time better science students were presenting themselves at the universities, and because scientists and technologists of all kinds were going to be needed nationally. In fact, in the end, the cuts and the ratio of those cuts was pretty marginal and the differential was not at all that severe.

The UGC had done its work by the first of July 1981 and the committee then issued letters informing the universities of what they could expect. It was just as well they did so on the first of July because our spending year begins on the first of August, so we had all of four weeks to absorb this information and start applying it. What the UGC did was to tell the universities quite definitely what their grants would be for 1981-82, and then they gave the institutions tentative planning figures for 1982-83 and 1983-84. In addition, they informed each university what its full time student numbers were to be in 1983-84, broken down into the three categories I have mentioned. Apart from this information, which was quite definite, the rest of what the UGC had to say to any particular university was by way of advice. This advice was really quite tentative and the committee was criticized for that. For example, at my own university the extent of the advice we received about our arts enrolment, in which there was to be a considerable diminution, was as follows:

> "The committee recommends a decrease in arts and social studies. Within arts, the committee recommends that the university consider discontinuing history of art. Within social studies, it recommends the maintenance of numbers in social work."

Well, in history of art we have four members of the academic staff. In social work, I suppose we have about eight. And this is out of a total teaching staff of about 800. So you can see that we did not receive particularly cutting, detailed advice from the UGC. And in fact, when universities compared their letters, the vocabulary used was quite interesting. Increases or decreases were asked for, and there was always an adjective used to define the increase or decrease. The adjectives used were "small", "slight", "significant", "substantial", and so on. It seemed to us important to find out the exact meaning of each adjective because clearly behind all this there must have been some arithmetic. So we asked the committee what they meant. It turned out that what was meant by "small" or "slight", whether it referred to an increase or a decrease, was between nought and five per cent. If the reference was to "an" increase or "a" decrease, that meant six to fifteen per cent. "Significant" was between sixteen and twenty-five per cent, and "substantial" was anything above twenty-five per cent. Now I tell you all this not because it will be of the slightest use, or even interest, to you but to show you all, and perhaps particularly the francophones among you, that the British art of circumlocution is not dead, it liveth still and this is the sort of thing with which we had to work. In the event, there was a general holding to the fifteen per cent overall cut and it was not distributed all that selectively. In fact, universities peaked very strongly at fifteen per cent. That is not to say that some universities have not been treated well -- some as low as zero per cent -- and others very badly (as high as forty per cent). In fact, however, the area under the wings of the distribution curve is very slight and there is this enormous peaking at fifteen per cent.

The first thing the universities had to do upon receiving their notice from the UGC was to understand it. UGC letters are never very easy, and particularly so when related to a problem as difficult as this. The first problem was, and has been ever since, the simple assimilation and transmission of information. Dr. Shapiro was quite right this morning when he said that this is a major problem in any exercise of this kind. We decided at the beginning that any time information came into the university, or any time the university sent information to any financial body of any kind, we would simply broadcast this wholesale within the university so that everybody at least could read what was happening. It is extraordinarily difficult to convey this sort of information. No matter how hard we tried, it was perfectly clear from time to time that the faculty were not absorbing the information. This was due in part, of course, to the fact faculty want to get on with their academic work, and in part to the fact these were unpleasant things to think about. Nonetheless, communication is an extremely serious problem the whole time you are faced with a situation such as this.

The next decision that each university had to make for itself was how it would respond to the UGC guidance and what the implications of the committee's detailed advice might be. Their advice was not couched in terms of finance but rather in terms of student numbers, by subject. It said nothing at all about what you should do about money or numbers of academic staff. I do not think any university wanted to go completely against the general guidance offered. That would be foolish. But, of course, each university might have very different views about the particular advice that it was given. The UGC, and in particular its chairman, put in an heroic amount of time meeting with the representatives of individual universities to explain and amplify the advice it had offered.

Then the universities had to make up their minds about the broad principles of policy they were going to follow. Would they apply cuts selectively or would they apply them across the board? They had to decide, too, how that policy should be generated within the university and how it would be applied. There is no escaping the constitutional machinery of the university. Our senates represent the academic staff and are generally large - at Bristol, the senate is 150 strong - and our councils are the governing bodies of the universities. These bodies have to be involved. And that is a very difficult, a very time consuming and a very elaborate process. At Bristol, we made up our minds that we would have a plan completely approved in detail by July 1982. I think most universities had to work under that same time constraint. It is important to prepare these very large and very complicated bodies for this process, and so most universities used small committees of one kind or another, usually with the burden of the preliminary work falling on the vice-chancellor. At Bristol, once we had the financial and staff implications worked out, we put a general paper to the senate and council which indicated that we were going to lose some academic staff. If we were going to be a university at the end of all this, however many academic staff were left, they had to be properly supported to carry out their academic work.

This is a principle which is fairly easily assented to at the beginning. But it does carry considerable implications for staffing in other parts of the university. It also convinces the service staff of the university -- the technicians, the cleaners, the janitors -- that they are not going to be treated differently in this sort of exercise. It is important to do that.

We also decided fairly early that cuts should be applied selectively. That again is a decision that is fairly easily taken in the abstract. When it comes to applying it, some areas will be well done by and some will be badly done by, and then it is quite another matter and leads to all sorts of argument.

From these broad principles, which people do not find it too difficult to agree to, one has to generate a detailed plan which is going to cause a great deal of argument. When I presented the general paper to the senate and council, I suggested that I would bring to them at the next senate meeting a detailed plan including academic staff numbers by department for 1983-84. This is a dangerous thing to do, of course, because the vice-chancellor has to carry some sort of authority within the university, and if the institution feels that you have done totally wrong and foolish things, you are going to be on a spot. On the other hand, I felt that the machinery of the university simply was not adequate to deal with this matter. Also, I simply could not see that people would be able to sit around and discuss which of their academic colleagues were going to be thrown out of the life boat. That seems to be a wholly corroding process and, as much as I disliked the idea that the university would finish up by hating its vice-chancellor even more than they had done before, on the whole I thought that would be a healthier atmosphere than if they hated each other. After all, they have to live with each other more that they have to live with me!

In the event, although it was an intensively selective plan I presented to the senate, and one which was subsequently modified to be somewhat softer in a way I certainly found acceptable and academically correct, nonetheless that is the way it was done and it worked, I suppose, about as well as any of these schemes ever work. I am not sorry I played the game that way. But it does underscore the role of the vice-chancellor or president in games of this kind. He occupies an absolutely unique position in the university and it is his uniqueness that is of value to the university, particularly in affairs of this kind.

Apart from the process of selection and how severe it is going to be, you have to make up your mind about the unit of cut. Since it is a financial exercise, there is an argument for using cash. But cash means very different things to different departments and could distort the academic nature of the university. A large science department treats cash in a quite different way from, for example, a small classics department. Since we were dealing with an academic institution, it seemed the reasonable thing to do to deal with cuts in academic staff. It is then easy to translate the results back into cash. In our case, the cuts affected about 128 out of our 800 academic staff plus a corresponding number of support staff. We decided that there would be a more or less uniform worsening of staff-student ratios, across the university. Since arts was to lose more students than science, arts also had to suffer the most serious loss of staff. We then put a plan to senate and council entirely in terms of cuts in academic staff.

People can understand what cuts in academic staff mean. If you have a department with 15 academics and 2 of them have to go, that is something people understand. If you talk in terms of cash, they may not have anything other than staff money and may not realize the implications of losing cash. Once Bristol had gone through this exercise, and once we had translated the academic support staff and departmental budgets into financial cuts, each department was given a financial target.

There was discussion with each department and eventually a plan was approved. In our experience, there were no surprises, nothing that causes us to doubt our initial financial arithmetic or our assessment of the total number of staff that had to be released. The single and most important exception to this is the proportion of academics who are leaving voluntarily. We guessed that half might leave on their own, leaving the balance to be dismissed. It turns out that many more are going voluntarily and it is not clear at the moment how many we shall have to dismiss in the end. There will be redundancies, I have no doubt, but these will be a smaller number too.

This situation came about for a variety of reasons. First of all, we already had in place in the UK a national early retirement scheme for staff introduced some years ago. And then the vice-chancellors' committee generated, and put to the government, a redundancy scheme which was based in part on that early retirement scheme. The government agreed not only to the Committee's proposal, but agreed to fund it with additional money as well. Under our pension scheme, if you serve in a university for 40 years you retire on half pay, and, unlike your salary, your pension is indexed. In addition to receiving half pay as pension, you also receive a year and a half's salary as a lump sum, tax free. You, therefore, start retirement with something which is very generous.

The government further agreed that the universities could retire a staff member and then take that individual back on the teaching staff at a third of his time and a third of his pay for three years while courses were being run down. This is a very attractive proposition for a number of reasons. First, there are people who will be able to generate outside earnings and who might very well earn more than they were earning at the university. Such people are not common, but they do exist. The scheme could not be exercised of right by the individual; it had to be in the interests of the institution. Had it not been for that provision, then certainly my own university would not have had an engineering faculty left because, under the plan, our engineers could easily have made substantially more money than they were already earning with us.

Then too, one finds immense distress among teaching staff when all this is happening within an academic environment. Some become weary of dealing with the situation and want to leave.

A third class are those academics who are within a few years of retirement and who see very clearly that, in their department, if they do not volunteer to go, some younger member of the department will be forced to go. A surprising number of these individuals decide that they can afford to go much more than a younger colleague can afford to go.

You may wonder about the place of academic tenure in this situation. I simply will say that it is obscure; if you wish to question me upon that matter I shall attempt to elaborate.

I think the net result is that most universities are finishing up with a more equal spreading of the misery than is academically desirable. Some universities found it difficult to come to hard decisions and decided that the basis of their plan would be an equal spreading of the misery throughout the university. One has to realize one is dealing with people and not with figures on a chess board and the fact that one cannot get absolutely the correct academic result is, I think, something one has to live with. It is, of course, important to reach the academic result closest to your objective.

An association such as AUCC has an absolutely vital role to play in this situation. It must put pressure on politicians to make certain that the damage done is no greater than it need be and to ameliorate the situation where it can. I think British successes in that respect have been limited but important. Limited because, as I have already said, we are working against a great doctrinal background of this government, and therefore, we could not accomplish the great leap. I think, however, that we have managed to soften a good many of the edges. The second really difficult problem is to inform the universities about the position and to convince them of the seriousness of the situation and of the seriousness in terms of time. It is important not only to look at the change itself, but at the speed with which that change is to occur. That alters completely the character of what you are doing. A large cut applied in a short space of time can be less damaging academically than something which is of the same magnitude but which is drawn out over a long time scale. The latter is easier to handle administratively, but it may result in a worse academic situation.

Having convinced everybody that there is a serious problem to be solved, it is important to make a plan as quickly as possible and to stick to it with a very great deal of -- in fact, a totally obdurate form of -- determination so that people know where they stand and where they are going. There must be a clear long term objective for your academic institution. It is quite certain that nothing worthwhile can be achieved unless there is within the institution an understanding of that objective. That is difficult, of course, because one's vision of the future is extremely limited and obscure, and because one is trying at the same time to conserve traditions of learning that have to be protected. Nonetheless, one does have to see as best one can what one is seeking to achieve academically before one begins short-term action of this kind.

MCGILL UNIVERSITY--INCOME AND BUDGET RESTRICIONS

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Before I begin to tell you about the steps that McGill University has taken to address a period of financial constraint, I would like to give you some indication of the dimensions of the problems that faced our university and outline the budgetary cuts that have already been made at McGill. The statistical information in Table 1, and the following comments on that data, may be of assistance in this regard.

Income

In 1977-78, income from student fees amounted to $10 million. This rose to $18.8 million six years later. This increase was due entirely to foreign student fees. In Quebec, fees for Canadian students have been frozen since 1970. Fees for foreign students, however, have increased to approximately $5000 per academic year. McGill does not benefit in any way from this increase; as the foreign student fee rises, the government grant decreases by a like amount.

Fee income has risen then from 9.9% of the total income for faculties (academic services, including library and computer centre) and support (physical plant, administration, not including residences, community services, etc.) in 1977-78 to 13.4% of that total in 1982-83.

The government grant has grown in that six year period from $85 million to $109 million, but it has decreased as a percentage of total faculties and support income from 84% to 77.8%. The total income from fees and government grants in 1982-83 is $128.1 million. It is interesting to note that the dollar value of fees has increased by 88%, the grant by 28%.

Private income available for operating purposes has risen from $5 million to $8.7 million, an increase of 70%. It has gone from being 5% of that group of income items to 6.2%, taking up some of the slack created by the lack of growth in the government grant. I am here speaking only of that private income that is used for this purpose; the total private income at McGill is approximately $13 million annually.

Sales and services related to these items (faculties and support) amount to $3.6 million in 1982-83, up from 0.9 million in 1977-78.

The total income for faculties and support was $140 million in 1982-83.

Research income grew to $45.3 million in 1982-83, up from $25.4 million in 1977-78. Research income has in fact grown by 80% in the six year period and we expect that in 1982-83 we will in fact exceed our estimate of $45.3 million, and that research income will rise above the $50 million mark.

Services to the community, student services, residences, etc. will total $27.9 million in 1982-83.

TABLE 1

MCGILL UNIVERSITY

Income and Budget Reductions

	1982-83 (a)		1981-82		1980-81		1979-80		1978-79		1977-78	
	$m	%	$m	%	$m	%	$m	%	$m	%	$m	%
1. Income 6 Years:												
Faculties & Support												
Student Fees	18.8	13.4	15.9	11.3	12.3	9.3	11.3	9.7	10.4	9.5	10.0	9.9
Government Grant	109.3	77.8	113.5	81.0	110.4	83.8	96.3	82.7	92.8	84.8	85.3	84.2
	128.1	91.2	129.4	92.3	122.7	93.1	107.6	92.4	103.2	94.3	95.3	94.1
Private Income	8.7	6.2	7.5	5.4	6.0	4.6	6.1	5.2	5.2	4.8	5.1	5.0
Sales and Services	3.6	2.6	3.2	2.3	3.0	2.3	2.8	2.4	1.0	0.9	0.9	0.9
Total Faculties and Support	140.4	100.0	140.1	100.0	131.7	100.0	116.5	100.0	109.4	100.0	101.3	100.0
Total Income												
Faculties & Support	140.4	65.7	140.1	66.0	131.7	68.5	116.5	68.5	109.4	69.0	101.3	69.0
Research	45.3	21.2	43.5	20.5	36.0	18.7	30.7	18.1	26.3	16.6	25.4	17.3
Services: Student, Community, etc.	27.9	13.1	28.7	13.5	24.5	12.8	22.8	13.4	22.8	14.4	20.1	13.7
	213.6	100.0	212.3	100.0	192.2	100.0	170.0	100.0	158.5	100.0	146.8	100.0
Enrolment (Full-time Equivalent)												
1st Cycle			15,767.4		15,592.1		15,165.2		14,391.6		13,415.0	
Upper Cycle			3,687.7		3,416.5		3,644.5		3,554.8		3,029.5	
Total FTE	N/A		19,455.1		19,008.6		18,809.7		17,946.4		16,444.5	
Annual Increase %			2.4		1.1		4.8		9.1			
2. Budget Reduction for Faculties & Support												
Total Income (excl. Sales & Services) $M	136.8		136.9		128.7		113.7		108.4		100.4	
Annual % Increase %	-		6.4		13.2		4.9		8.0		-	
Increase Required to meet salary policy % and inflation	4.5		15.3		11.5		10.3		13.1		-	

Table 1 continued

Growth in total income: 5 years 1977-78 to 1982-83, is:	36.3% (b)
% Increase required to meet salary increases and inflation (5 years)	67.6%
Percentage Budget Reduction (5 years)	31.3%

Amount of Budget Reduction	$M
Income required to meet increased costs at same level of activity $100.47 x 1.676	168.3
Budgeted Income 1982-83	136.8
Amount of Budget cut	31.5
Add: Hospital Teaching Costs not in 1977-78 expenditure	2.7
Total budget cut (5 years 1977-78 to 1982-83)	34.2

3. Implementation of Reduction in Budget Base (1982-83 compared to 1977-78)

		$M
Reduction of expenditure base already achieved		20.6
Reduction of salary increases (81-82 policy not finalized)		8.8
1979-80 salary policy: 2.2% less than 'parity'	2.3	
1981-82 salary policy: 8.0% less than 'parity'	6.5	
	8.8	
Reduction still to be made (1982-83 budgeted deficit)		4.8
Total reduction to be achieved		34.2

4. Allocation of Budget Reduction Achieved

Staff Reductions	Total	1982-83	1981-82	1980-81	1979-80	1978-79
Full-time academic positions						
Terminations	(502)	(93)	(87)	(120)	(109)	(93)
Replacements	308	44	41	81	70	72
New positions	54	2	4	11	21	16
Net Reduction in Staff	(140)	(47)	(42)	(28)	(18)	(5)
Reduction in salary cost ($M)	(5.2)	(1.7)	(1.6)	(0.9)	(0.7)	(0.3)
Part-Time & Auxiliary academic positions						
Reduction in salary cost ($M)	(2.0)	(0.2)	(0.7)	(0.4)	(0.2)	(0.5)
Non-academic positions (Total: about 300 staff)						
Reduction in salary cost ($M)	(5.0)	(1.7)	(0.9)	(0.8)	(0.8)	(0.8)
Reduction in salary cost ($M)	(12.2)	(3.6)	(3.2)	(2.1)	(1.7)	(1.6)
Staff Benefit Reductions ($M)	(1.7)	(0.5)	(0.5)	(0.3)	(0.2)	(0.2)
	(13.9)	(4.1)	(3.7)	(2.4)	(1.9)	(1.8)
Books, Materials, Supplies, etc. ($M)	(6.7)					
Total budget reduction achieved ($M)	20.6					

Table 1 (end)

5. Deficits

	$000
1977-78	577
1978-79	1 585
1979-80	4 327
1980-81	1 950
1981-82	1 763
1982-83 (budgeted)	4 829
Total (6 years)	15 031

6. Budget Reductions 1983-84 and 1984-85

Further cuts in government support have been announced for the years 1983-84 and 1984-85. It is expected that base reductions of about $6 million will be made in the McGill grant in each of these years.

Referring back to section 2 above, this means that the budget cut for the 7 years 1977-78 to 1984-85 will be $46.2 million, 46% of the 1977-78 base.

Notes:

(a) 1982-83 amounts are as budgeted, those of previous years are actual.

(b) In the five years, Fee Income rose by 88.0%, Government Grant by 28.1%, Private Income by 70.6%.

4 October 1982

Enrolment

Enrolment has grown by 22% at McGill in the period 1977-78 to 1981-82, from 16,400 in 1977-78 to 19,400 in 1981-82. We expect a 3% increase in 1982-83, raising the total enrolment over 20,000. Undergraduate numbers will be up about 21% over the six year period, graduate enrolments by about 25%.

The next item on the statistical sheets compares the increase in income for faculties and related services that would have been needed just to stand still. I have excluded sales and services because these figures tend to vary according to expenditures. The net income, then, for faculties and related supporting services went from $100 million to $136 million. The annual increases were 8% in 1978-79, 4.9% in 1979-80, 13.2% in 1980-81 and 6.4% in 1981-82. In 1982-83, there is a very slight decrease from $136.9 million to $136.8 million.

The next line indicates what would have been needed to pay salary increases and to cover inflation on non-salary expenditures. In Quebec, university salaries were tied closely to increases in the public sector and, indeed, in the early years the money was simply added to our grants. It was only after the salary agreements of June 1979 were signed, covering a three and a half year period ending in November 1982, that the government changed its policy and stopped indexing university grants to cover salaries. The increases needed to cover the salary agreements, as compared with the increases actually received, were:

1978-79	13.1% as against actual 8%
1979-80	10.3% as against actual 4.9%
1980-81	11.5% as against actual 13.2% (this was a much better year)
1981-82	15.3% as against actual 6.4%

In 1982-83, salaries in Quebec are a complicated matter. Without going into all the details necessary to explain the situation, let me say that 4.5% would be required and there is no increase in income.

The growth in total income at McGill, again for faculties and related services, between 1977-78 and 1982-83 was 36%. The increase in income required over those six years would have been 67.6%. This means that over the six years there was a 31% budget reduction, or almost 6% per annum.

I would like now to try to show you how McGill made the necessary cuts in the face of the above situation. The university would have required $168 million to meet increased costs at the same level of activity in 1982-83. In fact, income in that year is $136.8 million. This represents a cut of $31.5 million in the base. In addition, hospital teaching costs ($2.7 million) were transferred from the Quebec ministry of health to the ministry of education in 1977-78, and so our real cut was of the order of $34.2 million.

We have achieved a $20.6 million reduction in our expenditures, and I will comment on the details of that below.

We have also saved a further $8.8 million through our salary restraint policy. McGill University is almost entirely a non-unionized university.

Our faculty, non-academic staff, technical staff, clerical staff, managerial, middle managerial and professional staff are not unionized. Only some tradesmen and cleaners are unionized. We have been able to reach salary agreements that have resulted in smaller increases than those being paid at other Quebec universities. In 1979-80, we paid 2.2% less, a saving of $2.3 million, and in 1980-81 while the salary question for that year is not yet finalized, we paid 8% less, a saving of $6.5 million. In those two years, then, we have saved approximately $8.8 million through our salary restraint policy.

We have yet to achieve a further $4.8 million in our budget.

Therefore, the $34 million that we needed to cut will be achieved as follows:

1. $20.6 million in actual cuts to the expenditure base
2. 8.8 million in salary restraints
3. 4.8 million yet to be achieved

The $20.6 million reduction in the expenditure base was achieved via staff reductions and savings in other areas.

Over the five years 1978-79 to 1982-83, there have been 502 terminations among full time academic staff through retirement, death or decisions to leave the university. We have replaced 308 of these individuals which represents a 60% replacement rate. We have created 54 new positions over the five years, most of these in the first three years of the period under review. As a result, we have reduced full time academic staff by 12% or 140 positions with savings in salaries of $5.2 million.

Among part time and auxiliary academic positions we have further reduced the budget by $2 million in 1982-83.

We have reduced non-academic positions, by about 300 for a saving of $5 million. The total salary budget saving, therefore, in 1982-83 is $12.2 million and the savings on related benefits amount to $1.7 million for a total salary package saving of $13.9 million.

The remaining $6.7 million of total $20.6 million saving was made from other expenditures, from materials, supplies, energy savings, etc.

In the course of these same years, McGill faced deficits amounting to $15 million. This includes an estimated deficit of $4.8 million for 1982-83, which is the $4.8 million mentioned above as that saving yet to be achieved to live within our means. The government has not distributed all of the money it earmarked for the universities, so it is possible that the $4.8 million figure will be lower. Excluding that $4.8 million, the university has an accumulated deficit of $10.2 million for the period 1977-78 to 1981-82.

McGill has a non-restricted fund from gifts given to the university over the past 20 years. At one time this fund had grown to some $30 million. We have been using this fund to cover our deficits and, at the end of the 1981-82 fiscal year, the value of the fund was $5 million. If the university were in fact to have a $4.8 million deficit in 1982-83, the fund would be eliminated.

For 1983-84 and 1984-85, we know that there will be major cuts in the grants to Quebec universities as part of the overall budget restraint program of the government. We expect that at McGill this will mean a $6 million reduction in the government grant in each of the next two years.

Summary

With the information that we know for the next two years, McGill will have experienced a cut in its budget over seven years of $46.2 million. This sum represents 46% of the 1977-78 base and an average annual cut of 6%.

In the Spring of 1981 the McGill University Board of Governors established the Budget Task Force. Chaired by the principal, the task force comprised one member of senate, one board member external to the university, a member of the business community, one representative of the academic staff association, one representative from the non-academic staff association and one senior administrator who was the vice-principal (planning). I acted as a resource person. If we had it to do again, we would add a student to the membership of the task force.

(The balance of Mr. Armour's address was in the form of excerpts from the report of the McGill University Budget Task Force. That report is published on the following pages.)

THE MCGILL UNIVERSITY BUDGET TASK FORCE

1. Establishment of the task force

The budget task force ("BTF") came into being by resolution of the board of governors at its meeting on 25 May 1981 to advise the principal and, through him, to report to the board at its first meeting in the fall. It was comprised of one member of the board designated by its nominating committee (Charles Perrault), one member of senate designated by its nominating committee (Professor Robert Stevenson), one member of the non-academic staff designated by the (MUNASA) executive (Jim McVety), one member of the academic staff designated by the McGill Association of University Teachers (MAUT) executive (Professor John Harrod) and one member of the senior administration designated by the principal (Vice-Principal Planning and Academic Services, Dr. Edward Stansbury). Each of these members was present to bring an informed point of view from a particular segment of the university, but in an individual capacity and not as a delegate from a particular constituency. The task force was chaired by the principal. Vice-Principal, Administration and Finance, John Armour, attended in a resource capacity. As stated to the board on 25 May 1981, the BTF's objective has been "to conduct an overview of the budget presented to the board for 1981-82, an overview of methods and steps already taken to achieve budget cuts for 1981-82, a consideration of whether further steps of a budget cutting nature are possible for 1981-82 and a consideration of preliminary proposals for budget measures for 1982-83".

2. Method

2.1 The task force met frequently in private session through the summer months from the time of its creation. This report is the result of those deliberations. Since the task force was charged with responsibility for an "overview", it has seen its mission as one of making recommendations to the decision-making bodies in the university to deal with a series of serious problems. Moreover, since many of the problems confronted were ones that did not permit an "either/or" solution and since the "best" solution to one problem often exacerbated other problems, many of the recommendations involve trade-offs among competing solutions.

2.2 The fundamental issues of the maintenance of high quality teaching and research, underfunding by government, appropriate salary policy for academic and non-academic staff, and morale in the university community are part of a continuum and are determined by decisions and attitudes over a medium and longer term as well as those made or prevalent in a particular budget year. Therefore task force considerations are cast over periods of the next three budget years 1982-83, 1983-84 and 1984-85, and, more generally, to the end of the decade, as well as the current fiscal year, 1981-82.

3. Background

3.1 Why was this task force necessary? In ten years since 1970, costs that grew faster than government grants, coupled with a government imposed freeze on tuition fees, have put the university in a seriously underfunded position. Underfunding for one year, taken by itself, would not necessarily have been alarming. However, underfunding over ten years has required budget cuts in most of those years after increases related to inflation in salaries and other costs had been allowed for. This has left the university in a difficult situation, with deteriorating plant, libraries and equipment and a smaller number of teaching and non-academic personnel for a larger number of students. In the current year, the dramatic shortfall in the government grant has made it impossible to balance the budget. At the same time, salary increases equivalent to those at most other Quebec universities, which were based on those granted by the government to its employees, have not been paid. To balance the budget and pay the indicated salary increases would have required the termination of substantial numbers of academic and non-academic staff, causing serious damage to the quality of teaching and research at McGill.

3.1.1 A similar dilemma, though not as alarming in its impact, was faced in the 1979-80 and 1980-81 budget years when government grants to the university were insufficient to meet salary increases similar to those paid to government employees. Consequently, salary policy emanating from the academic and non-academic salary policy committees did not provide for full merit increases in 1979-80; the shortfall amounted to 2.2% of total salaries and has not been made up.

3.2 In preparation for the 1981-82 budget year to commence 1 June 1981, the normal preliminary budget targets were given to deans and other budget unit directors in November 1980. These called for a 3.2% average budget cut with salary increases for 1981-82 to be added later, once government grants were known definitively and salary policy determined. On the basis of the best preliminary information on the 1981-82 grant available from the Ministry of Education this exercise assumed there would be a shortfall of $2.5 million in the provincial grant which, together with the removal of the 1980-81 excess expenditure, resulted in the 3.2% budget cut.

3.2.1 In March 1981 the Ministry of Education released additional, though still not final, information for 1981-82. It provided for an overall grant increase for all Quebec universities of 4.9% and for McGill of 2.8%. The calculations assumed, however, additional income of $2.9 million from the increase in foreign student fees. The combined increase in the grant and fees over the previous year is 5.5%. Included in this 5.5% was an increase of only 4.8% for salary increases.

3.2.2 In early 1980, the government had signed collective bargaining agreements with its public service unions and, as had been the custom for the previous six years, the salary increases thus established were followed in the collective bargaining agreements for the academic and non-academic staff of the five unionized Quebec universities. For 1981-82, these increases average 9.7% plus a cost of living adjustment estimated at 3.8%, plus a career-progression (or merit) increase averaging 3.2% for a total of 16.7%. With the small government grant increase, it was clear that none of the Quebec universities could meet such increases without incurring enormous deficit.

3.2.3 The Ministry of Education also indicated, when the grant figures were announced, that it would place in virtual trusteeship any Quebec university whose accumulated deficit exceeded 5% of its operating revenue.

3.2.4 Faced with this unexpectedly severe grant shortfall in March, McGill imposed a brief hiring freeze to provide time to implement further budget cuts. These additionnal cuts averaged 2.5%, giving a total average budget cut of 5.7% for 1981-82. Though the freeze on hiring has been relaxed, all requests for replacements are still subject to serious scrutiny to see whether they are essential.

3.3 The 1981-82 budget was submitted to the board on 25 May 1981. It anticipated a deficit of $2.6 million. This deficit included salary increases to non-unionized staff (both academic and non-academic) of only 6.75%. An additional contingent deficit of $12.9 million was contained in the budget as the amount that would be required if salary increase at McGill matched those paid in the public sector and at some other Quebec universities. The combined deficit would therefore be $15.5 million.

3.3.1 In June 1981 the ministry released more precise information (dated April 1981) for the 1981-82 grant. In McGill's case this reduced the increase in the grant over the previous year from $3.1 million (2.8%) to $2.4 million (2.2%). This increased the actual deficit for 1981-82 from $2.6 million to $3.2 million and the deficit including salary contingencies from $15.5 million to $16.1 million. In more recent months we have been informed by the ministry that the grant will be increased to cover the rise in the employers' contribution to medicare. This should add $1.4 million to our grant thereby reducing the actual deficit to $1.8 million and the deficit including salary contingencies to $14.7 million.

3.4 In the April 1981 document, the ministry replaced its above-mentioned proposal of trusteeship with an even more restrictive requirement, namely, that each university prepare and submit to the ministry by 1 September 1981 a financial plan to demonstrate how it will have achieved a balanced budget by the 1984-85 year, eliminating all deficits previously accumulated and current, and using up all accumulated surpluses. However, the government grant estimates for the next three financial years, necessary information upon which to base a plan, were not given to the universities until 14 September and the deadline for submission of a plan for balancing the budget was extended to 1 November. Even that information left major questions unanswered, as is discussed in Section 5.4.

4. General observations

4.1 The quality of its teaching and research are essential to ensuring the long term future of the university. High quality programs attract the best staff and students on whom the reputation of the university is built. In addition, universities with a reputation for high quality are less subject to enrolment fluctuations than others. It follows that the maintenance and improvement of quality must be the highest priorities, even in times of severe budget restriction.

4.2 McGill has been fortunate in having an unrestricted endowment which has acted as a buffer between income and expenditures. However, the underfunding of the past years has reduced the unrestricted endowment fund from $16 million in 1965 to $7.3 million at 31 May 1981, which represents an even greater decrease in constant dollars.

4.3 Overall budget reductions in the last decade have not been caused by changes in total enrolment. Internal budget adjustments have been made to respond to inter-faculty changes in enrolment but budget reductions arising from factors unrelated to enrolment have been made rather evenly across the university. One strategy would be to continue this even compression, but if maintenance of quality is the highest priority, it will be necessary to accomplish budget reductions selectively, giving priority for resources to areas where high quality exists or is within reach.

4.4 Choosing priority areas for resource allocation is not a simple matter. Priorities should be set at every level at which resource allocations are made: within departments, within faculties, and university-wide. The major role of university committees and administrators is to refine and stimulate the use of priority planning mechanisms that reinforce quality.

4.4.1 University administrators and/or committees can never know the needs of a specific field or discipline, or its opportunities for development and growth as well as those most closely involved in it. It is important, therefore, that the setting of priorities remain decentralized to avoid a stifling of all initiatives. It will be a difficult task to avoid this in any case with the overall budget compression faced, and the serious restrictions imposed by tenure and job security on the flexibility of resource distribution.

4.5 Decentralization in a university does not simply mean the allocation of responsibilities to deans and department chairmen. The governance of McGill University is a matter in which all staff are involved at all levels, through department and faculty meetings and an elaborate network of committees. Decision-making with this structure is slow, and consumes the time of many individuals, but it is a system well adapted to the needs of the university, staffed as it is largely by professionals who are leading experts in their own fields, and it should not be cast aside during a period of stress. Leadership efforts should be directed to improving the functioning of the collegial system of government, for example, by eliminating unnecessary overlap and duplication of committees, and improving their efficiency so that those who can help reach decisions that will reinforce quality will be willing to participate fully.

4.6 If detailed planning and decision-making are to remain decentralized, the faculties and departments must have as clear a picture as possible of the overall developments anticipated in the next five years. This portrait must be developed by the university through its administration and university-wide committees. In developing the portrait, it should be remembered that significant changes have taken place in the last decade, and that the resources available to some faculties and administrative departments have not yet reached equilibrium with their new responsibilities, whether increased or diminished.

4.6.1 Most of the expenditures in nearly every department are on salaries of full-time staff, and it is this portion of the expense that is most difficult to compress. It is, therefore, important that medium- and long-term planning focus on the anticipated number of regular, full-time staff positions. Short-term departures in requirement from the planned staffing levels can be met by adjustments to the number of limited term and part-time positions.

4.6.2 The BTF recommends that the university develop a five-year target staffing level for every faculty and major service department. The first approximations to the targets should be made on the basis of the best quantitative data available. These should then be reviewed on the basis of qualitative considerations and altered as necessary in the light of academic priorities. The sum of all the target staffing levels should, of course, be compatible with the anticipated resources available. The five-year targets should be reviewed every year in the light of new developments.

4.6.3 There is much more quantitative data available about the needs of faculties for academic staff, than about the needs of the service departments for staff. Nevertheless, an initial approximation as to staff levels for academic service and support service departments should be made, pro-rata if necessary, and studies of the needs of these departments commenced as soon as possible.

4.7 The areas within the university that have, through the iterative process described above, been designated as priority areas for the maintenance of quality must be given first priority for discretionary allocations of resources, for replacement of essential staff, and for support from development funds. Replacement of staff essential to the continuation of a program or service not considered to be a priority may not be possible, and in that case it will be necessary to reduce the scope of the program or service offered.

4.8 The university is very diverse, but there is a great deal of interaction among its parts. No single approach to budget reduction will solve all our problems. This section has dealt mainly with the need to set priorities in order to maintain and develop quality. The following sections will deal with many other aspects of balancing income and expenditures, and some contribution to the solution must be expected from all measures that are not incompatible with the primary objectives.

5. Revenue

5.1 1977-78 to 1981-82

The following tables show the source of operating income over the past five years.

	1981-82*		1980-81		1979-80		1978-79		1977-78	
	$m	%	$m	%	$m	%	$m	%	$m	%
Total Operating Income										
Faculties & Services	136.6	68.3	131.7	68.5	116.5	68.5	109.4	69.0	101.3	69.0
Non-Credit Courses	3.4	1.7	2.9	1.5	2.8	1.6	2.9	1.8	1.9	1.3
Community Services	9.7	4.8	8.1	4.2	8.0	4.7	8.1	5.1	7.8	5.3
Student Services	6.1	3.1	6.3	3.3	5.4	3.2	5.3	3.4	4.4	3.0
Ancillary Services	8.0	4.0	7.2	3.8	6.6	3.9	6.5	4.1	6.0	4.1
Research	36.3	18.1	36.0	18.7	30.7	18.1	26.3	16.6	25.4	17.3
Total	200.1	100.0	192.2	100.0	170.0	100.0	158.5	100.0	146.8	100.0
Faculties & Services										
Student Fees	14.3	10.5	12.3	9.3	11.3	9.7	10.4	9.5	10.0	9.9
Sales; Goods & Serv.	3.6	2.6	3.0	2.3	2.8	2.4	1.0	0.9	0.9	0.9
Gifts, Grants & Bequests	2.4	1.8	2.7	2.1	3.2	2.7	2.4	2.2	2.4	2.4
Endowment Income	3.7	2.7	3.3	2.5	2.9	2.5	2.8	2.6	2.7	2.6
Quebec Operating Grant	112.6	82.4	110.4	83.8	96.3	82.7	92.8	84.8	85.3	84.2
Total	136.6	100.0	131.7	100.0	116.5	100.0	109.4	100.0	101.3	100.0
Research										
Federal Gov't.	20.9	57.6	20.9	58.1	18.5	60.3	15.6	59.3	15.7	61.6
Provincial Gov't.	4.0	11.0	4.0	11.1	3.2	10.4	2.6	9.9	2.4	9.4
U.S. Government	0.5	1.4	0.5	1.4	0.6	1.9	0.6	2.3	0.5	2.0
Endowment Income	2.7	7.4	2.4	6.7	2.2	7.2	1.9	7.2	2.2	8.6
Other Grants	8.2	22.6	8.2	22.7	6.2	20.2	5.6	21.3	4.7	18.4
Total	36.3	100.0	36.0	100.0	30.7	100.0	26.3	100.0	25.5	100.0

* 1981-82 budget figures: those for previous years are actual

5.1.1 In the above tables the heading 'faculties and services' includes all items of income that support the expenditure of university credit programs; these costs include faculty costs, the costs of academic services (such as libraries) and support services (such as plant maintenance and administration). The other services listed are intended to be, and for the most part are, self-financing including a contribution towards the indirect costs of plant and administration. Research is self-financing but (apart from a few exceptions) no contribution is received for indirect costs.

5.2 Regrouping the above items into three categories, as below, it is interesting to note the percentage increases in the five year period reviewed.

	81-82		80-81		79-80		78-79		77-78
	$ m	%	$ m	%	$ m	%	$ m	%	$ m
Faculties & Services	136.6	3.0	131.7	13.1	116.5	6.5	109.4	8.0	101.3
Research	36.3	0.8	36.0	17.3	30.7	16.7	26.3	3.5	25.4
Other Services	27.2	11.0	24.5	7.5	22.8	0.0	22.0	13.4	20.1
Total	200.1	4.1	192.2	13.1	170.0	7.3	158.5	8.0	146.8

5.2.1 The accumulated increases over the four years from 1977-78 to 1981-82 are:

Faculties and Services	34.8%
Research	42.9%
Other Services	35.5%
Total	36.3%

5.2.2 The increase in research is understated since the actual for 1981-82 will certainly exceed the estimate made when the budget was prepared.

5.2.3 The increase in student fees is 43%, from $10.0 million in 1977-78 to $14.3 million in 1981-82, and has been almost entirely derived from the increases in tuition for foreign students. The increase in fee income is deducted in calculating the Quebec operating grant. The grant has risen from $85.3 million in 1977-78 to $112.6 million in 1981-82, an increase of 32%. The combined increase from fees and grant is 33%.

5.3 The budgetary problems that the university has faced in the last five years can be clearly seen when the increases in the income of faculties and services are compared to the increase that would have been required to meet salary policy and inflation on non-salary items.

Income	Actual	Required to meet costs		
	% Increase	Salary Increase %	Non-Salary Inflation	Weighted %Increase
1978-79	8.0	14.1	9.2	13.1
1979-80	6.5	10.5[a]	9.4	10.3
1980-81	13.1	11.2	12.5	11.5
1981-82	3.7	16.0[b]	12.5[c]	15.3
Compounded	34.8	62.6	51.2	60.3

Notes a) In 1979-80, 2.2% of the 10.5% shown was not paid to non-unionized staff

b) In 1981-82 (to date) only 9.25% has been paid to non-unionized staff.
c) Inflation in 1981-82 is estimated at 12.5%

5.3.1 It will be seen that, whereas the income of faculties and services rose by $35.3 million (34.8%) in the four years from 1977-78 to 1981-82, an increase of $61.3 million (60.3%) would have been needed to meet the increased costs of the same level of activity. The effective budget reduction suffered in these four years has therefore been $26 million. However, 1981-82 income includes items not previously included. For example, $2.7 million was added in 1981-82 to cover hospital teaching costs which in earlier years were not channelled through the university. Similar comments apply to such areas as field work in social work, which in total would add another half-million dollars. The shortfall over the few years is, therefore, not less than $29 million.

5.3.2 How has this shortfall been met? Basically from the following three sources:

			$ million
5.3.3	a) Reduction of expenditure base already achieved		14.3
	b) Reduction of expenditure base still to be made (81-82 deficit)		4.6
	c) Reduction of salary increases (position at 1 September 1981)		10.1
	1979-80 policy: 2.2% not paid to non-unionized staff	2.3	
	1981-82 policy: 9.25% paid to date to non-unionized staff (of an estimated 16.7%)	7.8	
		10.1	
			29.0

5.3.4 If it is decided to pay further salary increases in 1981-82, the cost thereof will be transferred from item (c) above to item (b).

5.4 1982-83 to 1984-85

On 14 September 1981, the university received information concerning the Quebec grant for the years 1982-83, 1983-84 and 1984-85, together with details of the Plan d'équilibre budgétaire des universités (P.E.B.) which is to be submitted to the ministry by 1 November 1981. The grant information and the P.E.B. are expressed in 1981-82 dollars. In the case of the grant, this means that percentage cuts have been announced but no reference is made to the indexation rates to be incorporated for salaries or inflation on non-salary expenditures. This leaves a major question unanswered with respect to future budgets. It should be remembered that in the current year the government announced a 4% grant cut but the indexation added for salary policy was substantially below that required to meet the salary increases indicated by public sector agreements. The real grant cut was in fact substantially above the 4% announced. This could also be the case for 1982-83 and on, but at this point we have no way of knowing.

5.4.1 A summary of the grant cuts for McGill and for all the Quebec universities combined follows:

Grant cuts in 1981-82 dollars
$000s

	McGill			Quebec Universities		
	82-83	83-84	84-85	82-83	83-84	84-85
Initial cut 3.5%, 2.1%, 2.1%	4488	2693	6293	29502	17701	17701
For development redistribution 3%	3847	3847	3847	25287	25287	25287
Total annual cuts	8335	6540	6540	57489	42988	42988
Total three years		21415			140765	

5.4.2 The 'initial cut' reduces the total amount available for the universities. The 3% reduction for 'development redistribution' is taken from the total amount, each university bearing its proportionate share, and is redistributed to the universities in accordance with growth in enrolment. In the case of the universities as a whole it represents a real cut since, although the funds are not removed from the combined grants, no additional amount is granted to meet the extra costs of the increased enrolment. In the case of McGill, 3% is deducted from the grant. The amount to be added back for enrolment growth at McGill is unlikely to exceed 0.5% ($641,000). The McGill situation might, therefore, be summarized as follows:

McGill

	82-83		83-84		84-85	
	$000	%	$000	%	$000	%
Grant cut	4488	3.5	2693	2.1	2693	2.1
Cut for development redistribution	3847	3.0	3847	3.0	3847	3.0
McGill's share on redistribution	(641)	(0.5)	(641)	(0.5)	(641)	(0.5)
Total annual cuts	$7694	6.0%	$5899	4.6%	$5899	4.6%
Total three years			$19492	15.2%		

5.4.3 The cuts shown above will be effectively increased if the grants, when announced, do not contain adequate indexation for salary policy and for inflation on non-salary expenditure. We have already been informed that the grants will not include a provision for merit increases.

5.5 Réseau

The grant cuts announced by the government for the years 1982-83 to 1984-85 do not affect McGill alone, but apply to all universities in Quebec. A preliminary document produced for the Conference of Rectors and Principals of Quebec Universities estimates that the present level of expenditure of the entire Quebec university system will be reduced by 30% in three years if the present government proposals are not ameliorated. The 30% is calculated as follows:

	$000
Present expenditure base (1981-82)	842000
Excess 1981-82 expenditure resulting from inadequate funding in 1981-82 (estimate)	50000
Grant cuts for 3 years 1982-83 to 1984-85	64904
Cost of salary increases for career progression and merit not included in grant provisions	63219
Marginal cost of university enrolment not added to grant total	75861
Total reduction in expenditure base, representing 30% of 1981-82 amount	253984

5.6 Even though not complete, the latest information from the government shows that there will be a period of severe austerity lasting for at least three years. Nor will the end of austerity mean rapid increases in revenues. It will mean that revenues will grow at a reasonable rate from the by-then reduced base. While everything possible should be done to convince the government of the importance of maintaining a strong university network, it is unlikely that universities will be the government's highest priority at the end of the period of austerity. We will then be well into the phase of decreasing university-age populations and accessibility to university can be expected to become a less important feature of government plans. The best that universities can count on at the end of the austerity period is revenues increasing at the average rate of increase in government spending. In these circumstances, the only method of bringing income and expenditure into balance is to reduce expenditure.

5.7 Federal Government Grants and Transfers
The federal government currently provides about $3.5 billion for university education and research in Canada. Though there is controversy about method of payment and transfer, and about actual costs, in general terms, this represents about half of the total of government funds made available to universities. The great majority of federal funds are transferred to the provinces through the established programs financing (E.P.F.) under an agreement that expires in March 1983.

5.7.1 Under current arrangements the provinces are not obliged to spend these federal funds on education. Some have used this flexibility to apply some of these funds to other provincial fields.

5.7.2 The federal government has served notice that it is unhappy providing the funds to the provinces for education when it does not receive political and public recognition for its contribution. Moreover, the federal minister of finance has indicated that he is seeking a $1.5 billion reduction in E.P.F. obligations which include health services, social services and education. Some believe education is the most vulnerable of the three.

5.7.3 In September, the Parliamentary Committee on Federal-Provincial Transfers, to which McGill submitted a brief, reported and recommended no reduction in federal E.P.F. payments. The Prime Minister has subsequently disagreed with this position. It is expected that a decision will be made by March 1983. Through the Association of Universities and Colleges of Canada and through a series of meetings with and submissions to federal cabinet ministers, McGill continues to argue the case for continuation of substantial federal funding of university education and research. At this point, the best that can be said is that the issue is in doubt. Significant reduction in federal funding would do substantial damage to university education, particularly in Quebec where alternative government financial resources are not available.

5.8 Private Funds

McGill has been generously supported by private funds over the decades to pursue a mission of excellence. It continues to depend on the generosity of its donors for this purpose. For this report, private funds may be considered in three categories: endowment, current gifts and the development campaign for the 1980's.

5.8.1 Endowment

McGill's endowment is currently valued at $148.5 million. It is managed by three investment counsellors whose objectives are set and performance monitored by the investment committee of the board of governors. Endowments hold units in a pooled investment fund. At the beginning of 1980-81, a unit in the fund was valued at $149.60. Income distributed per unit was $8.95 (6.0%). The value of a unit at 31 May, 1981 was $157.36, an increase of $7.76 (5.2%) over the opening value. This increase comprised $2.66 (1.8%) capital gains and $5.10 (3.4%) of income reinvested to protect the capital value of the fund. The performance since 1977-78 has been as follows:

	Opening Unit Value	Capital Appreciation				Closing Unit Value		Income Distributed	
		Inc. Reinvested		Cap. Gain					
	$	$	%	$	%	$	%	$	%
1977-78	115.30	0.91	0	4.70	4.1	120.91	4.9	7.50	6.5
1978-79	120.91	2.10	1.7	16.86	13.9	139.87	15.6	7.88	6.5
1979-80	139.87	3.12	2.3	6.61	4.7	149.60	7.0	8.20	5.9
1980-81	149.60	5.10	3.4	2.66	1.8	157.36	5.2	8.95	6.0
1981-82	157.36							9.85	6.3

5.8.2 Current gifts

Gifts from all non-governmental, or private sources to McGill amounted to slightly more than $13 million in 1980-81. This level of private support has been more or less constant during the past few years, if one does not include gifts that were part of the McGill Development Program in the mid-seventies. The amount received in a given year can vary markedly as a result of a single bequest or research grant received or not.

Of the total noted above, a very high proportion was designated by donors to a specific faculty or school, for research, or for student aid. In recent years, increasing proportions of current gifts have been restricted or designated to specific areas or projects since donors wish to see more clearly "where their gift makes a difference". Only 10% was unrestricted as to use. The level of current gifts may be expected to increase with a vigorous development campaign and maintain a higher level after the development campaign has ended.

5.8.3 Eighties Development Campaign

McGill has had four major development campaigns since the second world war, approximately one a decade, and has received therefrom over $52 million in total. The McGill development campaign of the 70's ended $2 million above its target of $25 million in March 1979. The Macdonald development campaign ended on target of $7.2 million in May 1980. During the past year, a feasibility study for a development campaign for the eighties has been underway. A preliminary report from the external consultants was received in June 1981. Their final feasibility report, along with the plans and recommendations of our development office, was presented to the board of governors at its meeting on 21 September, 1981.

At that meeting, the governors approved in principle a development campaign for the eighties. Work on the implementation of its first stage has now commenced. The monetary target amount is to be set in 1983. The campaign will have several themes and characteristics pertinent to our present budget overview.

First, it is not designed to cover deficits. We are advised that such a strategy would be self-defeating, reducing substantially the gifts private donors are prepared to make.

Second, amounts received will not result in the reduction, in any form, of government grants. This, too, would be self-defeating, removing all incentive for private support. Private monies will be used to accomplish things that cannot be done with government grants.

Third, the development funds obtained are to be devoted to reinforcing and augmenting high quality in teaching and research. The basic principle is that McGill is a unique university, rare in its excellence, and therefore deserving of generous support beyond government grants. This will be the cornerstone of the campaign.

5.9 Research Overhead Charges

Research expenditure in 1980-81 totalled $36 million, of which $21 million was funded by federal government agencies and $4 million by the Quebec government. Overhead allowances are not included in federal or provincial grants. They are provided in U.S. grants and in research contracts. In 1980-81 overhead allowances on research funds totalled $819,000, of which $308,000 was included in general university operating income and $511,000 was utilized for research purposes. The BTF recommends that the amount and allocation of overhead charges be reviewed.

5.10 Real Estate Policy

McGill has approximately 25% more building space than is needed for its present student body, according to ministry of education space guidelines. However, these were drawn up for buildings erected since the 1960's and take insufficient account of:

a) the age of many of McGill's buildings;
b) the fact of two campuses within McGill University with a degree of duplication of certain facilities;
c) the unusually well developed library resources.

5.10.1 The university has been following a policy of selling or leasing all real estate that is not part of the central core areas of the two campuses and consolidating academic and administrative units into premises in the central core area. Over the past five years, 11 buildings have been sold for a total amount of $3,331,500. There remain only a few properties that are expendable under this policy and, as market conditions permit, they will be sold or leased. All McGill buildings have been categorized in a master plan, approved by Senate and the Board in 1976, to identify their priority according to replacement, renovation or preservation value.

5.10.2 It should be noted that several of the buildings that have recently been sold provided residences suitable for married students or staff. Rent from these properties was considerably less than the investment return from their proceeds once sold. This reflects a previous policy that served to subsidize the living expenses of a particular category of students and staff. Current policy reflects the decision of the university that this type of subsidy can no longer be provided.

It should be noted further that in 1980-81, deficits in the amounts of $41,000 and $134,000 were incurred by the McGill campus student residences and the Macdonald campus student residences respectively, the latter being partially occupied by John Abbott College students. Nevertheless, it is university policy that residences should be self-financing. It is expected that this will be achieved in the next two years for McGill campus residences and by 1982-83 for the Macdonald campus residences after a capital expenditure of $800,000 to bring them into complete conformity with recently updated provincial safety and fire regulations. The recent application of provincial rent control legislation to university residences (in spite of McGill's protests that residences are an extension of the academic life of the university, not simply apartment buildings, and should be exempted) will make it more difficult to adjust residence fees to rising expenses. However, the BTF believes that the break-even philosophy should be rigorously followed and that residences should not be subsidized operations.

5.11 Artistic Works and Other Collections

McGill has a substantial number of valuable paintings and other historical and contemporary works of art and artifacts. These have been given to the university, generally with the implicit understanding, but in many instances with the express requirement, that they be maintained and preserved as part of a university collection for future generations. To commence a program of liquidation of these collections in the name of economy would be self-defeating because future donors would be disinclined to assist in maintaining or adding to the university's collection and might also be dissuaded from aiding the university in other ways as well.

5.11.1 On the other hand, two guidelines in the name of economy and rational collection maintenance should be assiduously honoured. First, a philosophy should exist for each university collection. Since a collection is not a static entity it should be reviewed regularly to ensure that its philosophy complements other university priorities in teaching, research and service to the community. Where particular objects already held no longer fit into a collection's philosophy, or where newly donated gifts are extraneous to the philosophy, they should be sold. The first claim on such proceeds should be the need to maintain and service the remaining collection or, where appropriate, add to it.

5.11.2 The second guideline is that conservative cost accounting methods should be applied in order to allocate costs generated by a collection appropriately to university teaching and research programs and to services to the community. In general, the latter type of costs should not be charged to university revenues but should be met by government grants or by donations from the general community. The McCord Museum, which houses the major university art and artifacts collection, was the subject of a stringent economy measure in 1970 and currently is being subjected to the guidelines set out above.

6. Expenditures

6.1 1981-82

As indicated above (section 3.2), two severe budget cuts totalling 5.7% ($7.6 million) have been made in the 1981-82 budget year. This is the largest one-year budget cut in the past 10 years. In addition, no allowance for inflation was granted for non-salary expenditures. This constitutes a further cut of $3 million (12% of $25 million) resulting in a total budget cut in 1981-82 of $10.6 million. No further budget cutting exercises of this nature for 1981-82 are possible. Continued vigilance is being maintained to achieve any further savings that might be possible, particularly through the non-replacement in positions that become vacant. Salary policy for 1981-82 has not yet been finalized. Both these matters are referred to later in this report.

6.2 1982-83 to 1984-85

In section 5.4 above, it was shown that, based on the grant information recently received, operating income will be reduced by the following amounts:

1982-83	$7,694,000	(6%)
1983-84	$5,899,000	(4.6%)
1984-85	$5,899,000	(4.6%)

6.2.1 It should be remembered in addition that expenditure in 1981-82 is already in excess of income by $4.6 million, calculated as follows:

	$ million
Adjusted deficit for approved budget (section 3.2 above)	1.8
Additional salary increases approved by the executive committee of the board of governors (section 6.2 below)	2.8
Estimated deficit	4.6

6.2.2 In order to achieve a balanced budget in each of the next three years, the percentage cuts required would be as follows:

	1982-83	1983-84	1984-85
Reduction in income	6.0%	4.6%	4.6%
Reduction of 1981-82 expenditure base	4.0	-	-
	10.0	4.6	4.6
Reduction in expenditure required for subsequent discretionary allocation	1.3	1.3	1.3
Initial Budget Reduction	11.3%	5.9%	5.9%

In conformity with recent policy the 'initial budget cut' is announced in the November preceding the beginning of the year. Discretionary allocations totalling about 1% are then distributed in December. The remaining 0.3% is retained for mid-year requirements.

6.2.3 The initial budget cuts indicated above, totalling 23.1%, are staggering and will not be achieved without considerable damage to the university. Various ways of reducing expenditure are explored in the sections that follow. As the effect on 1982-83 would be particularly injurious, it is recommended that the cuts be more evenly spread over the three years, even though this will result in deficits. Specifically, it is proposed that the 1981-82 excess expenditure be removed in two equal instalments in 1983-84 and 1984-85. Even if no further salary increases are to be granted for 1981-82, the deficits incurred and initial budget reduction would be:

	Deficits $ million	Budget Reduction
1981-82	4.6	
1982-83	4.6	7.3%
1983-84	2.3	7.9%
1984-85	---	7.9%
Total accumulated deficit	$11.5	

6.2.4 If further increases were to be granted for 1981-82, the deficits and reductions for 1983-84 and 1984-85 would be accordingly larger.

6.2.5 The value of the unrestricted endowment fund at May 31, 1981 was $7.3 million (see section 5.2 above). This would be totally eliminated in funding the $11.5 million deficit and would leave a balance of $4.2 million unfunded. It is recommended that a careful review of other endowed funds and of other salable assets of the university be made in an effort to obtain the required funds to cover the balance of the accumulated deficit.

6.2.6 The BTF wishes to emphasize that even with the proposed three-year distribution of cuts, the problems facing the university in cutting expenditure by over 7% each year are very serious.

6.2.7 While recommending that deficits totalling $11.5 million be incurred in the four years 1981-82 to 1984-85, the BTF wishes to say a word of caution concerning the temptation to use deficit budgeting as a solution to current problems. It is a useful device to average cuts over a given period in circumstances where there is a reasonable plan for funding the deficits then incurred. We feel that this is the case in our proposals for the next three years. However, to use deficits as a mechanism to avoid facing current problems does not solve them. It simply delays the solution and often exacerbates the problems. It must be remembered that, at present rates of interest, every $5 million of unfunded deficits costs $1 million to finance and thereby diverts operating funds from supporting salaries, etc., to pay interest charges.

6.3 Salary Policy

Salary policy is currently determined by the board of governors on the basis of recommendations from the academic salary policy committee for academic salaries, from the non-academic salary policy committee for non-unionized non-academic staff, and through collective bargaining at a common table with the other Quebec universities for the approximately 400 unionized staff.

6.3.1 With the information received in mid-September on government grants for the next three years, it is clear that austerity measures will be severe in the next few years unless the government can be persuaded to alter its position. To add substantially to the deficit in 1981-82 which, failing a change in the government's position, must be removed from the budget base in these subsequent years, would necessitate even more massive budget cuts and terminations of existing staff.

6.3.2 All Quebec universities are now facing the same serious austerity problems. Those that have paid public service-related salary increases in 1981-82, based on collective bargaining agreements negotiated almost two years ago, either have additional monies through increased enrolments and past accumulated surpluses, or are incurring enormous deficits which will have to be both paid back and removed from the budget base in subsequent years.

6.4 Existing Policies

The unionized employees are covered by collective agreements negotiated at a common table with all seven Quebec universities, including McGill, and their respective unions represented. These agreements expire in December 1982.

Salary policy for the non-academic staff is intended to apply an equal pay for equal work principle whereby they will enjoy salary and working conditions comparable with staff of other universities in Quebec. Salary policy for the academic staff is intended to provide respectable salary levels and working conditions in comparison with other major Canadian universities, including those in Quebec, while ensuring staffing and support levels consistent with the traditional high quality of McGill's teaching and research programs.

In examining the effects on the budget of salary policy, the following alternatives have been considered: zero increases; selective increases for unusual merit; several restraints producing a small percentage increase; time off in lieu of pay; and salary ceilings.

6.4.1 Salary policy responsibilities for 1981-82 may be seen more clearly by analyzing the four hypotheses set out below.

Hypothesis (a): Increases to non-unionized staff are held to 6.75% (paid) plus 2.5% of salary cost (this is the actual portion at September 1, 1981).

Hypothesis (b): Increases to non-unionized staff are held to 'union increase' (that is, merit is not paid).

Hypothesis (c): Increases are held to restrict deficit to the amount in the unrestricted endowment (assuming full union increases are paid).

	($000)
Estimated U/R endowment available (May 31, 1982) prior to deficit,	7,183
Less: deficit excluding salary contingency	(1,748)
additional increase to unionized staff	(280)
Amount of U/R endowment available for additional increases to non-unionized staff (would produce 3.6%).	5,155

Hypothesis (d): "Full" increases are paid in 1981-82 to non-unionized and unionized staff (estimated 16.75% average increase to non-unionized staff).

The effects of these hypotheses in comparison with the June 1 budget are shown in the table below.

	($000's)			
Hypothesis	a	b	c	d
Increase to non-unionized staff	2,600	6,900	5,155	10,610
Increase to unionized staff	280	280	280	280
Additional cost over June 1	2,880	7,180	5,435	10,890
Total contingency	(12,930)	(12,930)	(12,930)	(12,930)
Deficit reduction*	(10,050)	(5,750)	(7,495)	(2,040)
Total estimated deficit per June 1 budget	14,678	14,678	14,678	14,678
Revised deficit	4,628	8,928	7,183	12,638

*The amount of salary increase due to staff but not paid and carried as a contingent deficit.

6.4.2 As a result of the present difficulties, it is self-evident that absorbing further significant cash salary increases for 1981-82 as monies to be paid now will add to the severity of the already precarious budget situation. Looking at this year and the next several years, it is apparent that normal attrition cannot meet the budget cuts. The stark choice is between levels of salary increases and the jobs of current members of the university community. On the one hand, there is understandably strong pressure from staff groups for further salary increases to be paid this year and salary increases closely related to the cost of living and public sector increases to be made in the next several years. On the other hand, there is concern that existing academic and non-academic staff not lose their jobs and, further, that appropriate staffing levels be maintained so that teaching and research programs and academic and administrative services meet quality levels suitable to McGill's tradition and aspirations. The positions of various groups in speaking to this balance and achieving it are not easy to reconcile.

6.4.3 We recommend that the salary policy committees, where much of this debate is focused, continue to meet to monitor the situation at other Quebec universities, to review the position of government, the needs of our staff, the quality of our university and to advise the board of their views and the alternatives which might be feasible to cope with our critical situation. To this end, the salary policy committees are urged to use the utmost imagination and flexibility in their discussions over this and the next several years.

6.4.4 It is the majority opinion of the BTF that no further cash payments for salary increases should be made for 1981-82.

6.4.5 Finally, we recommend that any shortfall between salary increases paid in cash at McGill and those implemented at the other Quebec universities which are paying public service related salary increases for 1981-82 continue to be treated as money owing to our academic and non-academic staff, and reflected as a contingent deficit in our accounts, until such time as the university is in a position to fully make up the shortfall.

6.5 Replacement Policy

Budget pressures have already caused reductions in staff through the non-replacement of staff members who leave or retire.

Changes from June 1 to June 1 in the number of full-time academic positions in faculty base budgets

June 1	1976	1977	1978	1979	1980
to June 1	1977	1978	1979	1980	1981
Replacements	63	72	70	81	41
New positions	28	16	21	11	4
Terminations	(75)	(93)	(109)	(120)	(87)
Net Change	16	(5)	(18)	(28)	(42)
Cumulative change	16	11	(7)	(35)	(77)
Budget Change ($000)	151	(311)	(685)	(921)	(1641)
Cumulative change ($000)	(311)	(160)	(845)	(1766)	(3407)

Source: Annual budget reports to board of governors, Appendix 3.

The relationship between the net change in the number of positions and the net budget change shows that, in general, new staff members have been appointed at salaries lower than those of former staff they were replacing.

6.5.1 For non-academic staff, figures for the first year are not available. For the four years 1977 to 1981 staff reductions have been as follows:

June 1	1977	1978	1979	1980
to June 1	1978	1979	1980	1981
Staff reductions	(42)	(39)	(85)	(62)

A total reduction of 228 positions has therefore been implemented, from 2642 to 2414 (9%). The amount thus removed from the budget exceeds $3.6 million.

6.6 A strict ban on, or at least a policy of severe restraint in, replacement of staff who leave or retire is often proposed as a method of reducing expenditures. A policy such as this is useful during a period of a few weeks while other policies are being worked out but, over a period as long as a year, and as a technique for making reductions in expenditure greater than those originally budgeted, it has many disadvantages.

6.6.1 Budgets are initially allocated in such a way as to reflect as well as possible the needs of the faculties and departments, and the priorities of the university. Resignations and retirements do not respect these needs and priorities. Resignations, in fact, tend to have an inverse relationship to needs because these are similar in most universities and in many parts of the business world, and resignations are normally offered only when the person can find another suitable position. The intense competition for staff in the areas of computer science and management systems can be cited as the most obvious examples.

6.6.2 If staff who resign from areas that are already hard pressed are not replaced, the increased pressure on the remaining staff accelerates the rate of resignations. This self-reinforcing negative trend could have disastrous effects on key areas of the university.

6.6.3 Some positions must be filled, either by law, as in the case of an engineer at the power house, or to meet accreditation requirements. These needs could, of course, be met in the context of a severely restrictive replacement policy but they make the imposition of a strict ban impossible.

6.6.4 If a policy of severe restraint on replacements is in effect, a department or faculty has a strong incentive to renew or continue the appointment of anyone who does not have tenure or job security, even if the incumbent is not of the quality required.

6.6.5 Budget restrictions lead to non-replacement of staff in any case, and even in areas of greatest need, budget pressures cause replacements of academic staff to be made at more junior levels and consequently lower salaries. It would be more rational to impose more severe budget cuts as a method of reducing expenses than to depend on the partly random, but in greater part systematically negative, effects of not replacing staff who leave.

6.7 Retirement Policy

The age at which staff members retire has effects on the budget, and on the possibility of making appointments of younger people to bring new blood and fresh ideas into the university. Under our present policies, the normal retirement age for academic and non-academic staff is 65. Until 1979, members of the academic staff could apply for and, if their health and the needs of the department warranted it, be granted a three-year deferment of retirement at full salary. For those due to retire in 1979, the policy was changed to allow a one, two or three year deferment of retirement at 80% of salary. Part time, post retirement appointments, one year at a time, were and remain possible whether or not retirement itself was deferred. The change in policy has blurred the distinction between deferred retirement and post retirement appointments.

6.7.1 Of 41 members of the academic staff eligible to retire in the four year period 1975-79, 26 applied for and 24 were granted three years deferred retirement at full salary, an average of 1.8 years per eligible staff member. Of 54 eligible to retire in the period 1979-82, 19 applied for and 11 were granted one year deferred retirement and one was granted a three year deferment, all at 80% of the final salary, for an average of 0.2 salary years per eligible staff member.

6.7.2 During this period there were also a few people taking special early retirement, but the effect on the average age was slight.

6.7.3 On the basis of this simple analysis, which ignores possible effects of the policy on the frequency and duration of post retirement appointments, this change in policy advanced the effective retirement age by 1.6 years.

6.7.4 Further reductions in the average age of retirement, particularly if legislation banning compulsory retirement at age 65 is passed and applies to universities, can be achieved only if early retirement can be made attractive to the staff members involved. There is now a special early retirement plan, available in effect only to those who do not need to be replaced, which contains such incentives. The cost of these is such that, even when the savings through non replacement are taken into account, there are typically no net savings to the university for retirements before the age of 60. There is also in effect a "normal" early retirement plan which, under present conditions of inflation, coupled with the actuarial reduction in pension levels caused by early retirement, is not attractive to anyone. The BTF recommends that the staff benefits committee explore the possibility of finding a plan between these two levels.

6.8 Tenure Ratios

The comments that are offered below have an application beyond the short and medium term. They will impact in a significant way in the decade of the 1990's and in the next century. But, because they have so much to do with the quality of the university and the infusion of younger people and newer ideas into departments in the future, and because they require policies to be put in place now to have any impact, then the BTF makes them in the context of this report.

6.8.1 A department that is forced to reduce its budget as a result of significant reductions in enrolments over a substantial period of time, may face a major difficulty in that most of its academic staff may be tenured. They cannot normally be terminated in spite of the fact that the services of all the professors in the department may no longer be needed. A related difficulty exists for a department with declining or stable enrolments. The low turn over of academic staff and a high proportion of tenured professors means that it cannot bring in new, younger staff to maintain the flow of new ideas and ensure a reasonable age distribution amongst its academic staff. Little can be done to deal with these difficulties in departments with a high percentage of tenured staff, although possibilities of redeployment in other departments should be carefully examined. However, the BTF believes that a policy should be developed to avoid a continuation of the problem into the next decade, provided that such a policy has no negative impact on current academic staff, tenured or untenured.

6.8.2 An appropriate long range policy is the establishment of tenure ratios for departments. An example of such a policy might be as follows with regard to all full time posts in a department: a) no more than 60% may be tenured; b) no more than 20% may be tenure track or probationary leading to tenure consideration; c) no more than 20% may be limited term, i.e., "special category" or "visiting" in McGill's regulations. If a department exceeded the 60% threshold, the policy would stipulate that any new appointments could only be to limited term posts. When the department returned to a tenured complement below the 60% threshold, it could make tenure track appointments provided that their number did not exceed the 20% maximum. The implementation of such a policy without modification is difficult at McGill since a significant number of departments are currently over the 60% threshold and, in some instances, many years would elapse before any tenured or tenure track appointments could be made, even in periods of growth. Thus a gradual implementation approach might be used for some departments so that, say, only two thirds of new appointments would be governed by the policy. The remainder would be free of the policy's strictures even though a greater number of years would elapse before the department reached the 60% tenured level.

6.8.3 The ad hoc senate committee to review staff policies report gave brief consideration to the question of tenure quotas and recommended that senate debate the issue. At its May 28, 1980 meeting, senate decided against such a debate. We believe that the subject of tenure percentage should be considered by senate with careful description of the policy and with emphasis on the fact that it will not negatively affect present academic staff (since any policy would relate to new appointments only) but will have important implications for the quality of the university in the next decade.

6.9 Leaves

The committee to review staff policies recommended that senate establish an ad-hoc committee to study:

a) ways and means by which leaves of absence without pay and without replacement can be encouraged, and
b) rotating leaves, study leaves, exchange leaves and departure leaves.

6.9.1 Such a committee was struck and reported to senate in February 1981. No significant changes in policy emerged except that exchange leaves were encouraged.

6.9.2 There are two competing factors in considering the broad package of leaves. On the one hand, leaves (except straight exchanges) reduce the salary costs in the department or budget unit and thus reduce budgetary pressures. In addition, they provide stimulating experiences for faculty and staff. On the other hand, they reduce the complement of personnel for the stable maintenance of teaching and research programs or, in the case of non-academic units, lessen the continuity of administrative service.

6.9.3 Moreover, too relaxed an approach to the "full time" commitment to university responsibilities can engender an attitude where the university has an only secondary claim on the loyalty of staff, academic and non-academic alike, with the consequent reduction in quality and productivity of service and general morale. Nevertheless, the BTF recommends that, where savings can be achieved by granting an unpaid leave, without harm to the university, such leave be granted.

6.9.4 In recent months some interesting examples of imaginative arrangements of leaves and reduced load have been worked out at the department level, with significant cost savings for one year and no significant impairment of service. The key to these arrangements has been a pragmatic as opposed to a restrictive approach to leaves without pay or reduced load. The BTF recommends that, in our decentralized university, this pragmatic approach be applied during the current period of budgetary constraint; that department chairmen and deans and budget unit heads, with appropriate consultation with senior administration, be given the opportunity to arrange leaves or reduced load where they are satisfied that the cost savings will significantly outweigh any current or longer term negative consequences to teaching and research, or administrative services.

6.10 Sabbatical Leaves

Current sabbatical leave policy permits academic staff members to apply for sabbatical leave with pay every seven years. This policy is important to the quality of research and teaching in the university: research benefits from full time application, generally in a different setting with new stimulus, and teaching from the opportunities to refresh, recharge and reorient ideas and courses.

6.10.1 Some colleagues apply regularly on a seven year cycle for sabbatical leaves; some apply at other intervals; others do not take sabbaticals. Most departments plan their sabbatical leave rotations over three or four years to ensure that there is satisfactory coverage of teaching responsibilities and supervision of graduate students. It is recommended that this latter practice be generalized.

6.10.2 At present, some replacement monies are available to engage substitute, part time or limited term teachers. These replacement funds are a relatively small percentage of the total funds that would be necessary if all sabbaticants were fully replaced by new teachers and if no absorption of teaching loads within the departments' existing complements took place. In allocating these funds, the vice-principal (academic) pays particular attention to very small departments that have little flexibility. Replacement amounts have decreased markedly over the past five years. We recommend that this declining trend in availability of replacement monies continue in recognition of our increasing budget pressures.

6.10.3 In the years of austerity which we are now experiencing, it will be expected that all departments will arrange a schedule of sabbatical leaves and will adjust teaching assignments so that teaching programs may continue with minimal disruption. Secondly, it is expected that the department and the individual sabbaticant will exhaust all possibilities of obtaining partial or full funding of a sabbaticant's potential salary while on sabbatical leave before such leaves are granted. We believe that, if zealous attempts are made to obtain compensating funds, there should be sufficient monies available for a department to engage part time staff to cover any essential parts of its teaching program, particularly if planning is done over a three or four year cycle.

6.11 Reduced Time and Part Time Appointments

The committee to review staff policies commented as follows on reduced loads.

> "There now exists in the university a category of staff called full time (reduced load). Such staff members can carry anywhere from a half time to three quarters time load and are still considered part of the full time staff for purposes of tenure and promotión. The McGill benefits, including pensions, are available to all part time staff and are, therefore, also available to this group of people. This category has not been widely used in the past."

The committee recommended that "chairmen and deans be made aware of its availability and that staff be encouraged to utilize this option if it appeals to them". It went further to suggest that:

> "Reduced load could take a variety of forms and might be advantageous because, although the pay would be reduced pro rata, the take home pay might not be too seriously diminished in some cases. Furthermore, staff members on reduced load might be able to obtain part time work in other organizations."

6.11.1 Senate, in April 1980, accepted the committee's recommendation that information on existing options of reduced load be summarized in one document and distributed widely.

6.11.2 The BTF concludes that similar considerations apply to reduced load as to the spectrum of leaves set out in section 6.6 above. All of these measures to reduce budgetary pressures are worth further study and practical application in the light of our current circumstances and the BTF so recommended.

6.12 Non-renewals for Financial Reasons

There has been some discussion in this and other universities about the policy of not renewing probationary or tenure track appointees for financial reasons. It has been McGill's practice, in departments where budget pressures are unusually severe, not to renew in these circumstances. This is a disquieting practice which deprives the university community of its younger people and their renewing and revitalizing force in its teaching and research, to say nothing of the draconian consequences for budding academic careers. The BTF concludes, regretfully, that there is no way that this practice can be avoided or altered in our current financial circumstances.

6.13 Termination of Tenured Staff for Financial Reasons or for Reasons of Academic Viability

There appear to be no precedents in Canada for actual incidents where tenured academic staff have been terminated for financial reasons, that is, lack of funds to pay salaries of all existing academic and non-academic staff. Difficulties now being experienced in the United States and the United Kingdom will produce, however, litigation on the question. There are also few precedents in Canada where programs have been phased out for reasons of academic quality (such as insufficient viability of a particular teaching or research program or its failure to meet adequate quality norms), and tenured academic staff or permanent non academic staff terminated. These are two separate situations - the first affecting the university globally and rooted in financial exigency and the second affecting a department or a part of a department and not necessarily the result of financial pressures. They should be kept separate. The university solicitor advises that termination of tenured staff, either for financial reasons or for reasons of academic quality, requires an express amendment by the board to the regulations governing employment.

6.13.1 Financial exigency procedures exist in some Canadian universities to deal with terminations arising from a global shortfall though they have not been used to date. They are intended to apply when a massive scaling down of a university's entire activities is required. However, they appear to us to be so complex, slow and expensive to implement that it is unlikely they will ever be used so as to cope in time with a financial crisis. A tripartite committee of board members, M.A.U.T. executive council members and senior administrators deliberated at length over the past two years on such a scheme and did not arrive at a recommendation for any change in present rules. The BTF does not recommend that further efforts be made at present to develop a financial exigency scheme at McGill, modelled on these Canadian precedents, to cover the whole university.

6.13.2 Closing down of a specific program in a department, or possibly a department itself, affects not only the staff within that program, but the entire university. We believe that a university which insists that its teaching and research programs meet high quality standards and be viable in the number of students it teaches and the research it performs, must be prepared, as an ultimate measure, to phase out programs that do not meet such criteria. It is also important to remember that true quality cannot be purchased at the price of injustice and in the absence of compassion. Therefore, decisions on the closure of units, together with the necessary changes in regulations by the board to permit such closures, should only follow careful consultation with the relevant faculty, the academic policy and planning committee and senate. When any unit is the subject of such consultation, exploration of relocation opportunities for affected staff should be initiated.

Should the closing of a unit result in the potential breach of probationary contracts, the board should adopt provisions for notice and severance, in keeping with Canadian norms, and only after discussion in senate.

Should the closing of a unit affect tenured staff, the current regulations regarding tenure with the necessary modification to distinguish them from dismissal for cause should be followed. Any change in these regulations should only follow consultation with senate in open session.

Any person, probationary or tenured, whose contract is abrogated for reasons of academic viability should have access to binding appeal procedures to test whether principles of natural justice have been observed in the procedures used to close the department or unit and whether appropriate relocation opportunities and/or severance payments have been offered parallel to those available in dismissals for cause.

6.14 Dismissal for Cause

Any member of staff, with or without tenure or job security may be dismissed for cause, subject to the procedural safeguards set out in the regulations. This is a disciplinary measure, and should not be confused with the discussion in section 6.13 above. Where dismissal occurs it is often the culminating sanction following a series of lesser disciplinary measures. In the case of academic staff, cause is defined to include persistent neglect of academic duties, incompetence or serious misconduct. In the case of non academic staff, cause is defined in broadly similar fashion, with appropriate changes for the particular duties performed. Both types of dismissal are subject to external arbitration. Academic dismissals have been relatively rare in Canada. We regard the rules governing dismissal as necessary to the maintenance of the university's standards of quality and do not recommend any changes in them at this time.

6.15 Cost Cutting Measures

Cost cutting can be done across the board by carving out some additional priorities, either within the existing decentralized budget allocations, or by selective pruning based on determination of priorities through more centralized decision-making. We recommend that both methods be used, and that the university community respond to the present challenges by renewing its efforts at cost cutting and exploring methods to improve efficiencies. In particular, the BTF recommends efforts to involve all members of McGill's community in this exercise.

The BTF recommends further that procedures for program evaluation and staff evaluation be continued and, where necessary, implemented anew.

6.15.1 One Time Costs of Any Budgetary Measure

These costs should be funded from a special fund developed for this purpose.

6.15.2 Changes in Grant Policy

We have been advised by the associate deputy minister of education that there will be no changes in grant policy that will especially affect close down of programs.

6.15.3 Consolidation of Units

Wherever possible savings should be sought through the consolidation of departments or functions, eliminating duplications of service and streamlining procedures. While some progress has already been made in this area (e.g., libraries), and consolidations are most likely to be feasible in the administrative and academic support areas, all opportunities for achieving savings in this manner should be explored.

6.15.4 Improving Efficiency

Operating procedures should continue to be examined with a view to improving their efficiency and reducing costs. Wherever feasible procedures should be simplified and automation considered (e.g., library automation, increased computerization of administrative functions) provided the result has improved efficiency and/or cost reduction. Use of new administrative aids to productivity, such as word processing equipment, should be encouraged and expanded in areas where savings would result.

6.15.5 Internal Audit Procedures

During the past decade the internal audit department of the university has given some attention to operations audits. This had resulted in improved efficiency and reduced costs. It is important that there be a unit in the university charged with the responsibility of continued vigilance in this area. The BTF therefore recommends that this involvement of the internal audit department be continued and, if possible, within the limited resources available, enhanced.

6.15.6 Involvement of the Community in Cost Cutting

Satisfactory communication within the university is especially important during a period of financial difficulty. The two-way nature of this communication must be stressed. It consists of the consultation about and dissemination of information and decisions from more central organs of government through and to individuals, and the conveyance of ideas and reactions from individuals in the university to decision making persons and bodies. Several initiatives on two way communication, focusing particularly on cost-cutting methods and "doing more with less", have been taken over the past months. These include several special issues of the McGill Reporter on finances, a particular column in the Reporter on cost-cutting ideas and a series of two-way communication seminars to be organized through the university by McGill's management forum, the group that brings together certain directors, supervisors and other administrative officers for regular meetings. We conclude that these initiatives are useful in informing the community and recommend that these examples be continued and enlarged.

7. Challenge of the current situation for collegial government

McGill is essentially a non unionized university. Partly for that reason, it is possible to enter into the type of discussion reflected in this report. The setting up of this task force is an exercise in collegial government. Financial duress severely tests the strength of collegial government. An essential question raised by such duress is whether individual colleagues and groups and associations within the university can manage their own affairs in the interests of the university and all its members, or whether it is necessary to resort to or by default allow government or other third party determination of difficult priority decisions. We believe that the McGill community will continue to respond to this question in its traditional way, that the collegial system is responsive to this situation and responsive in a manner that will ensure that McGill's traditional overriding preoccupation with quality will endure.

8. The importance of excellence - the vision of McGill

It is much harder to foster excellence in a situation of financial retrenchment than one in which financial resources are ready to hand. The stature of McGill as an institution of excellence compared with other institutions in Canada and around the world will obviously be more significantly tested in this kind of climate than in one of affluence. The BTF attempted to deal with the current financial pressures with several guiding principles. These are first to minimize the amount of damage to the quality of teaching and research programs threatened by the underfunding in government grants in recent years and the perilous shortfall of more recent months. Our second objective has been to maintain morale and existing methods of university government and avoid invasions into our academic and budget decision making by government. Our third objective has been to ensure that the university be able to proceed to a period of less perilous financial support in a position to state and act upon a renewed vision of McGill which is worthy of the excellence which has inspired its past. We believe the recommendations in this report can make a contribution towards meeting those objectives.

9. Summary of conclusions and recommendations

The following is a summary of the major conclusions and recommendations of this report. The paragraph number shown refers to the paragraph where the topic was developed.

Staff targets

4.6.2 The BTF recommends that the university develop a five-year target staffing level for every faculty and major service department. ... These should then be reviewed on the basis of qualitative considerations and altered as necessary in the light of academic priorities. ... The five year targets should be reviewed every year in the light of new developments.

Research overhead charges

5.9 The BTF recommends that the amount and allocation of overhead charges [for research contracts] be reviewed.

Real estate policy

5.10.2 The BTF believes that residences should not be subsidized operations.

Artistic works and other collections

5.11.1 ... a philosophy should exist for each university collection. ... Where particular objects already held no longer fit into a collection's philosophy, or where newly donated gifts are extraneous to the philosophy, they should be sold.

5.11.2 ... conservative cost accounting methods should be applied in order to allocate costs generated by a collection appropriately to university teaching and research programs and to services to the community.

1982-83 to 1984-85 Budgets

6.2.3 It is recommended that the cuts be more evenly spread over the three years, even though this will result in deficits.

6.2.5 It is recommended that a careful review of other endowed funds and of other salable assets of the university be made in an effort to obtain the required funds to cover the balance of the accumulated deficit.

Existing policies

6.4.3 We recommend that the salary policy committees, where much of this debate is focused, continue to meet to monitor the situation at other Quebec universities, to review the position of government, the needs of our staff, the quality of our university and to advise the board of their views and the alternatives which might be feasible to cope with our critical situation.

6.4.4 It is the majority opinion of the BFT that no further cash payments for salary increases should be made for 1981-82.

6.4.5 ... we recommend that any shortfall between salary increases paid in cash in McGill and those implemented at the other Quebec universities which are paying public service related salary increases for 1981-82 continue to be treated as money owing to our academic and non-academic staff, and reflected as a contingent deficit in our accounts, until such time as the university is in a position to fully make up the shortfall.

Replacement policy

6.6.5 Budget restrictions lead to non-replacement of staff in any case, and even in areas of greatest need, budget pressures cause replacements of academic staff to be made at more junior levels and consequently lower salaries. It would be more rational to impose more severe budget cuts as a method of reducing expenses than to depend on the partly random, but in greater part systematically negative, effects of not replacing staff who leave.

Retirement policy

6.7.4 We recommend that the staff benefits committee explore the possibility of finding a plan between these two levels (of "normal" early retirement and special early retirement).

Tenure ratios

6.8.3 We believe that the subject of tenure percentages should be considered by senate with careful description of the policy and with emphasis on the fact that it will not negatively affect present academic staff ... .

Leaves

6.9.3 ... we recommend that, where savings can be achieved by granting an unpaid leave, without harm to the university, such leave be granted.

Sabbatical leaves

6.10.1 Most departments plan their sabbatical leave rotations over three or four years to ensure that there is satisfactory coverage of teaching responsibilities and supervision of graduate students. It is recommended that this latter practice be generalized.

6.10.3 ... it will be expected that all departments will arrange a schedule of sabbatical leaves and will adjust teaching assignments so that teaching programs may continue with minimal disruption. Secondly, it is expected that the department and the individual sabbaticant will exhaust all possibilities of obtaining partial or full funding of a sabbaticant's potential salary while on sabbatical leave before such leaves are granted.

Possible closing of departments

6.13.2 ... decisions on the closure of units, together with the necessary changes in regulations by the board to permit such closures, should only follow careful consultation with the relevant faculty, the academic policy and planning committee and senate.

Should the closing of a unit result in the potential breach of probationary contracts, the board should adopt provisions for notice and severance, in keeping with Canadian norms, and only after discussion in senate.

Should the closing of a unit affect tenured staff, the current regulations regarding tenure with the necessary modification to distinguish them from dismissal for cause should be followed. Any change in these regulations should only follow consultation with senate in open session.

Any person, probationary or tenured, whose contract is abrogated for reasons of academic viability should have access to binding appeal procedures to test whether principles of natural justice have been observed in the procedures used to close the department or unit and whether appropriate relocation opportunities and/or severance payments have been offered parallel to those available in dismissals for cause.

Cost cutting measures

6.15 We recommend .... that the university community respond to the present challenges by renewing its efforts at cost cutting and exploring methods to improve efficiencies. In particular, the BTF recommends efforts to involve all members of McGill's community in this exercise.

The BTF recommends ... that procedures for program evaluation and staff evaluation be continued and, where necessary, implemented anew.

Appendix 1

PRINCIPLES AND GUIDELINES FOR SYSTEMATIC CYCLICAL REVIEWS

A. General principles for systematic cyclical reviews

1. There shall be systematic cyclical reviews of all academic units in faculties. The objectives of the university in conducting these reviews are the improvement of programs, the establishment of priorities, and the allocation of resources.

2. The identification of academic units for review, and the schedule of their review, will be made by the dean of the faculty with the approval of the Academic Policy and Planning Committee (APPC).

3. The reviews will normally include external evaluators.

4. All academic units in each faculty normally will be reviewed once every five years.

5. The APPC has prepared guidelines for the conduct of systematic cyclical reviews (see Section B). It is, however, recognized that there is great variation between and within faculties. Provided Principles 1 to 4 above are observed, deans of faculties may submit, for approval by APPC, modification of the detailed guidelines to meet particular needs.

B. Guidelines for the conduct of systematic cyclical reviews

1. A review committee will be established for each unit under review, consisting of the dean of the faculty or his representative who will act as chairman, two academic staff members and one student from within the faculty but not from the unit under review, and one academic staff member of another faculty. Persons so selected shall be senior members of the McGill community who have a record of academic accomplishment, are experienced in university affairs, and enjoy the confidence of their colleagues in these matters.

2. The academic staff members of the committee will be proposed by the dean, after consultation with the unit and with any appropriate advisory Committees; the student member of the committee will be proposed by the vice-president (university affairs) of the McGill Student's Society after consultation with both the appropriate faculty undergraduate society and the Post-Graduate Students' Society (or by the appropriate student bodies on the Macdonald Campus); and all of these members are subject to approval by the APPC.

3. The review committee will require from the unit being reviewed a self-study document (see Section C), stating the goals of the unit as perceived by its members, how well it is doing in

meeting these goals, what plans it has to remedy any deficiencies it perceives, and what plans it has for further development. The review committee will also solicit from students in the unit under review a document or documents dealing with the same points. It may solicit opinions from recent graduate and undergraduate students.

4. The review committee will draw up a list of evaluator(s) external to the university in the unit's field, and will submit the list to the unit under review to ascertain whether the unit has objections to any names it contains or suggestions of additional names. The review committee will then make its choice of external evaluator(s). Upon receipt of the documents required in 3 above, the review committee will organize a site visit by the external evaluator(s).

5. The external evaluator(s) will examine the self-study documents and interview members of the staff and students, gather any other relevant information, and write a report that will go to the academic unit and the review committee. One or more members of the review committee may participate in the meetings with staff and students.

6. On the basis of the self-study report, report(s) from students, the report of the external evaluator(s), and any other information the review committee may find it relevant to obtain, this committee will write a report, containing recommendations. They will present this report in person to the head of the unit being reviewed and then to the principal and vice-principal (academic). Academic members of the unit shall have access to the report on a confidential basis.

C. Guidelines for information to be supplied by the unit under review

1. In order for the review committee and the external evaluator(s) to undertake a fair and thorough review of a unit, it is necessary that the unit prepare a self-study report.

2. The self-study report should provide information about the full range of the unit's activities and present an interpretative framework within which these data can be considered. The interpretative framework should include the goals of the unit, the identification of constituencies served by the unit, governance of the unit and, wherever possible, comparative data from similar units at other universities.

3. The guidelines for annual departmental reports in use since 1981-82 will normally serve as a framework for the self-study document, as they require detailed self-evaluations of goals and objectives, teaching and research programmes, student profiles, and staffing levels. In addition, units will make available from teaching evaluations mandated by Senate, information on the teaching effectiveness of their staff. The study should also include an assessment of the library resources and services available to support the academic

programs of the unit. Where appropriate, computer facilities should also be assessed. Assistance in providing statistical data about such items as staff/student ratios, grade distribution, financial resources, physical facilities and space allocation, etc., will be provided as required through the office of the vice-principal (planning and academic services).

4. In addition to all of the above, the unit may add any other significant information that will facilitate the assessment of its past successes and failures, as well as its plans and priorities for the future.

BY-LAW NUMBER ONE BEING THE GENERAL BY-LAW REGULATING THE TRANSACTION OF THE BUSINESS AND AFFAIRS OF THE ASSOCIATION OF UNIVERSITIES AND COLLEGES OF CANADA

BE IT ENACTED by the Association of Universities and Colleges of Canada as a by-law of the Association as follows:

MEMBERSHIP

1. There shall be four classes of membership in the Association as follows:

   (1) Ordinary Members

   Ordinary members shall be universities and colleges named in the Schedule to the Act of Parliament incorporating the Association and such other Canadian universities and colleges as are from time to time recommended for ordinary membership by the Board of Directors and are approved by vote of the Association, provided that each of such universities and colleges including those federated with or affiliated to a university, shall satisfy the following conditions:

   (a) It has the powers it purports to exercise pursuant to authority granted by the Crown or by Statute;

   (b) It has control over its own administration, finances and appointments;

   (c) If offers a full programme or programmes of undergraduate or graduate studies leading to a degree or degrees of university standard conferred by itself, or, if affiliated or federated, by its parent institution;

   (d) It has in the academic year in which it makes application for membership, and has had in the two preceding academic years, an enrolment of at least 200 students;

   (e) If it is federated with or affiliated to an ordinary member, it has been recommended by that member;

   (f) If it is a constituent portion of a university, it offers a full programme or programmes of undergraduate studies leading to a degree or degrees conferred by the parent institution, is recommended by the parent institution and meets the conditions of membership except conditions (a) and (b) hereof;

   (g) It satisfies a visiting committee appointed by the Board of Directors that it is providing education of university standard.

(2) Provisional Members

Provisional members shall be such Canadian universities and colleges as are from time to time recommended for provisional membership by the Board of Directors and are approved by vote of the Association, provided that each of such universities and colleges shall satisfy the following conditions:

(a) It has the powers it purports to exercise pursuant to authority granted by the Crown or by Statute;

(b) It has control over its own administration, finances and appointments;

(c) If it is federated with or affiliated to an ordinary member, it has been recommended by that member;

(d) It satisfies a visiting committee appointed by the Board of Directors that it is providing or has the potentiality for providing education of university standard and that it may be expected to qualify as an ordinary member within five years.

Provisional membership may be granted in thefirst instance for a period not exceeding five years. If by the end of that period a provisional member has not been elected an ordinary member, provisional membership may, on the recommendation of a visiting committee, be extended for a period of one year at a time to a maximum of three additional years. A provisional member who is not elected an ordinary member and who is not maintained as a provisional member, may not re-apply for membership for a period of three (3) years from the date it ceases to be a provisional member.

(3) Regional and Provincial Members

Regional and provincial members shall be the Association of Atlantic Universities, the Conference of Rectors and Principals of Quebec Universities, the Council of Ontario Universities, the Council of Western Canadian University Presidents, and such other regional and provincial organizations that are from time to time recommended for membership by the Board of Directors and are approved by vote of the Association, provided that each of such organizations has regional-wide membership in the area it purports to represent.

(4) Associate Members

Associate members shall be national organizations of university and college personnel that are from time to time recommended for associate membership by the Board of Directors and are approved by vote of the Association, provided that each of such national organizations shall satisfy the following conditions:

(a) It has objects consonant with those of the Association;

(b) It is not a government department or agency;
(c) It has a Canada-wide membership;

(d) It represents major academic or administrative divisions or interests within universities and colleges;

(e) It enters into an agreement with AUCC defining the relationship between an associate member and AUCC.

DISQUALIFICATION OF MEMBERS

2. (1) An ordinary member that, in the opinion of the Board of Directors, has ceased to satisfy any of the conditions contained in subsection (1) of section 1 may have its membership in the Association cancelled as hereinafter provided. If the enrolment of an ordinary member falls below one hundred for three consecutive years, that institution will revert to provisional membership and be subject to the provisions applicable to that class of membership.

(2) A provisional member that, in the opinion of the Board of Directors, has ceased to satisfy any of the conditions contained in subsection (2) of section 1 may have its membership in the Association cancelled as hereinafter provided.

(3) A regional or provincial member that, in the opinion of the Board of Directors, has ceased to satisfy the condition contained in subsection (3) of section 1 that it has regional-wide or provincial-wide membership in the area it purports to represent may have its membership in the Association cancelled as hereinafter provided.

(4) An associate member that, in the opinion of the Board of Directors, has ceased to satisfy any of the conditions contained in any of the clauses of subsection (4) of section 1 may have its membership in the Association cancelled as hereinafter provided.

METHOD OF CANCELLATION OF MEMBERSHIP

3. The membership of an ordinary member, a provisional member, a regional or provincial member, or an associate member shall be cancelled by the adoption of a resolution by at least two-thirds of the votes cast at a meeting of the Association acting upon a resolution of the Board of Directors stating that, in the opinion of the Board of Directors, the ordinary member, provisional member, regional or provincial member, or associate member has ceased to satisfy a condition or conditions specified in section 2 and recommending that membership be cancelled, or altered in accordance with item 2(1) - Disqualification of Members.

FEES

4. Fees shall be payable only by ordinary and provisional members and shall be determined from time to time by resolution of the Board of Directors.

HONORARY ASSOCIATES

5. Honorary Associates of the Association shall be the National Research Council of Canada and The Canada Council and such other bodies as have objects consonant with those of the Association and are from time to time recommended by the Board of Directors and are approved by vote of the Association as Honorary Associates.

BOARD OF DIRECTORS

6. (1) The Board of Directors shall be composed of:

(a) The President;

(b) In the first year of the President's term of office, the immediate Past-President;

(c) In the second year of the President's term of office, the Vice-President;

(d) The Chairman or another University President designated by the Chairman, of each of:

the Association of Atlantic Universities

the Conference of Rectors and Principals of Quebec Universities

the Council of Ontario Universities

the Council of Western Canadian University Presidents;

(e) A University President who does not already hold the office of Director from each of the Atlantic Provinces, Quebec, Ontario and the Western Provinces elected by the Association for a term of two years provided that in order to establish a rotation two of the University Presidents first elected shall hold office for a term of one year;

(f) The Executive Director of the Association.

(2) The President shall be the Chairman of the Board of Directors and shall designate a Vice-Chairman.

(3) So long as a quorum of the Board of Directors remains in office, the Board of Directors may appoint an eligible person to fill the vacancy for the remainder of the term of any Director who is unable to complete his/her term of office.

(4) Members of the Board of Directors, with the exception of the Executive Director, shall serve without remuneration in their capacity as members of the Board of Directors.

(5) Members holding elective offices of the Board of Directors shall be elected at Annual Meetings of the Association. All Directors and Officers of the Association shall take office

immediately following the Annual Meeting at which they are elected, and shall hold office until their respective successors take office immediately following the future Annual Meeting at which the said Directors' and Officers' terms end, subject to clause 6(6) and 6(7).

(6) For the purposes of subparagraph 6(1) (a)-(e), only University Presidents of Ordinary Member Institutions shall be eligible for election or appointment to, and continuing membership on the Board of Directors. To remain a member of the Board of Directors, each such member must retain the function of University President exercised at the time of election or appointment; if such member should cease to satisfy this condition, subject to clause 6(7) the member may continue in office until the following Annual Meeting of the Association at which time the member shall cease to hold office.

(7) If a Director does not attend three consecutive meetings of the Board of Directors, the Board may at its next meeting replace the Director.

(8) Nominations for election to the Board of Directors shall be submitted to the meeting of the Association at which elections are being held by a Nominating Committee appointed by the Board of Directors. Additional nominations may be made from the floor at such meetings.

(9) The Board of Directors has the power to establish by resolution such Standing and Special Committees as are appropriate to advance the purposes of the Association, including Committees in response to requests of Member Institutions and at their expense.

(10) For purposes of these by-laws, the term "University President" shall include Principal and Rector.

MEETINGS OF THE BOARD OF DIRECTORS

7. (1) Meetings of the Board of Directors may be held at any place within or without Canada, as the Board of Directors, the President or the Vice-President, or the Past-President as the case may be, may from time to time determine.

(2) Meetings of the Board of Directors may be held at any time provided notice has been given to each Director at least fifteen days, exclusive of the day on which notice is given, before the meeting is to take place. Notice of meetings may be waived by unanimous written consent of the Directors.

(3) For the first meeting of the Board of Directors to be held immediately following a meeting of the Association at which Directors are elected, or for a meeting of the Board of Directors at which a Director is appointed, no notice of such a meeting shall be necessary to the newly elected or newly

appointed Director or Directors in order to constitute a meeting legally, provided that a quorum of Directors be present for the meeting.

(4) Six (6) Directors shall constitute a quorum at any meeting of the Board of Directors.

(5) Subject to provisions of section 7 of the Act incorporating the Association, questions arising at any meeting of the Directors shall be decided by a majority of votes. The Chairman of the Board of Directors shall have no vote, except in the case of an equality of votes, when the Chairman shall have the deciding vote.

EXECUTIVE COMMITTEE

7A. There shall be an Executive Committee of the Board of Directors composed of the President, the immediate Past-President or the Vice-President as the case may be, the Executive Director and one other member of the Board of Directors appointed by the Board. The Executive Committee shall meet upon seven (7) days written notice of the time and place of such meeting provided that a meeting may be held without notice if all members of the committee are present or have waived notice of the meeting. The Executive Committee shall exercise all of the powers of the Board of Directors between meetings of the Board but shall report upon any decision at the meeting of the Board immediately following the decision, providing that any decision of the Executive Committee involving an expenditure in excess of $100,000 shall first be ratified by the Board of Directors before it is implemented. Vacancies to the Executive Committee shall be filled by the Board of Directors.

OFFICERS OF THE ASSOCIATION

8. (1) The Officers of the Association shall be the President, Vice-President, or Past-President, as the case may be, and the Executive Director. No Officer shall hold more than one office.

(2) The President shall hold office for a term of two years.

(3) The Vice-President shall be the President-elect.

(4) The Vice-President shall be elected for a one-year term at the commencement of the second year of the President's term. Nominations for election to the Office of Vice-President shall be submitted to the meeting of the Association at which elections are being held by the Nominating Committee appointed by the Board of Directors for purposes of nominating persons for election to the Board of Directors. Additional nominations may be made from the floor at such meetings.

(5) The Executive Director shall be appointed by the Board of Directors and shall be responsible to the Board of Directors for the management of the affairs of the Association.

(6) In addition to the powers or duties specified in these By-Laws or otherwise, all Officers of the Association shall exercise, jointly or individually, such powers and perform such duties as may from time to time be assigned to them by the Board.

(7) The remuneration paid to the Executive Director shall be determined from time to time by the Board of Directors.

MEETINGS OF THE ASSOCIATION

9. (1) The Annual Meeting of the Association shall be held at such place and on such day in each year as the Board of Directors may by resolution determine. Special meetings of the Association may be convened by order of the President, Vice-President or Past-President, as the case may be, or the Board of Directors at any time and at any place. Special meetings shall be convened upon the written request of not fewer than ten Presidents of Ordinary Members.

The written request for the calling of a special meeting shall specify the business to be discussed and transacted at such meeting.

(2) The President, or in the absence of the President, the Vice-Chairman of the Board of Directors shall preside as Chairman at meetings of the Association. In the absence of the President and the Vice-Chairman, the delegates of Ordinary Members present at the meeting shall choose another Director as Chairman of the meeting.

(3) Twenty-five persons entitled to vote at a meeting of the Association shall constitute a quorum of any meeting of the Association for any purpose of the meeting.

(4) Every question submitted to any meeting of the Association may be decided by a show of hands. At any meeting, unless a poll is determined, a declaration by the Chairman that a resolution has been carried or carried unanimously, or by any particular majority, or lost or not carried by a particular majority, shall be conclusive evidence of the fact. Any person entitled to vote at a meeting of the Association may demand a poll on any question submitted to the meetings.

(5) The Chairman of the Annual Meeting shall have no vote, except in the case of equality of votes either upon a show of hands or a poll, when the Chairman shall have the deciding vote.

(6) Notice of the time, place and business to be discussed at a meeting of the Association shall be given to each Director and Member of the Association at least twenty-five days, exclusive of the day on which notice is given, before the date of every such meeting. A meeting of the Association may be held for any purpose and at any time and at any place without notice if all of the Members and Directors signify their consent in writing.

Notice of any meeting or of any irregularity of any meeting or notice thereof may be waived in writing by any Member or Director.

(7) Accidental omission to give notice of any meeting or the non-receipt of the notice by any Member or Director shall not invalidate any by-law or resolution passed or any proceeding taken at any such meeting.

VOTING RIGHTS AT MEETINGS

10. (1) At meetings of the Association only Presidents of Ordinary Members of the Association shall be entitled to vote.

(2) At meetings of the Association the votes cast by the Presidents of Ordinary Members shall be weighted as hereinafter provided:

(a) the vote cast by the President of an institution having a faculty of Arts and Sciences or the equivalent, an organized program of graduate studies, and an enrolment of at least five thousand students shall have a weight of five;

(b) the vote cast by the President of an institution having an enrolment of more than fifteen hundred students shall have a weight of three;

(c) the vote cast by the President of an institution not qualifying under clauses (a) or (b) of this subsection shall have a weight of two.

(3) the Presidents of Provisional Members shall be entitled to attend meetings of the Association as non-voting delegates.

ENROLMENT

11. For the purpose of interpretation of this by-law, the enrolment of a university or college shall be the number of full-time equivalent students pursuing courses leading to university degrees or post-graduate diplomas, reported by the appropriate agency or agencies as designated from time to time by the Board of Directors.

FISCAL YEAR

12. The fiscal year of the Association shall end on the 31st day of March.

SEAL

13. The seal, an impression of which is affixed to the margin hereof, shall be the corporate seal of the Association.

SIGNING AUTHORITY

14. (1) All cheques, drafts or orders for the payment of money and all notes and acceptances and bills of exchange shall be signed by such officer or person or persons whether or not officers of the Association and in such matters as the Board of Directors may from time to time designate.

(2) Contracts, documents or any instruments in writing requiring the signature of the Association shall be signed by any two of the President, Vice-President, or Past-President as the case may be, Executive Director or by any one of the foregoing officers and another Director, and all contracts, documents and instruments in writing so signed shall be binding upon the Association without any further authorization or formality. The Board of Directors shall have power by resolution to appoint, from time to time, any officer or officers on behalf of the Association to sign contracts, documents or instruments in writing generally or to sign specific contracts, documents or instruments in writing. The corporate seal may, when required, be affixed to contracts, documents or instruments in writing signed as aforesaid or by any officer or officers appointed by resolution of the Board of Directors.

CONTRACTS

15. The Board of Directors in their discretion may submit any contract, act or transaction for approval or ratification at any annual meeting of the Association or at any special meeting of the Association called for the purpose of considering the same and any contract, act or transaction that shall be approved or ratified by a resolution passed by a majority of the votes cast as any such meetings shall be as valid and as binding upon the Association and upon all the members as though it had been approved or ratified by every member of the Association.

LIABILITY OF OFFICERS AND DIRECTORS

16. (1) A Director shall not be liable to the Association for any acts or omissions and shall be indemnified by the Association for any expenses or obligations reasonably incurred by him while acting in the capacity of Director, provided such actions have been carried on by him honestly and in good faith.

(2) Every Officer or Director of the Association or other person who has undertaken or is about to undertake any liability on behalf of the Association or any company controlled by it and their heirs, executors and administrators, and estate and effects, respectively, shall from time to time and at all times, be indemnified and saved harmless out of the funds of the Association from and against,

(a) all costs, charges and expenses whatsoever which such Officer, Director or other person sustains or incurs in or about any action, suit or proceeding that is brought, commenced or prosecuted against him, for or in respect of any act, deed, matter or thing whatsoever made, done or permitted by him, in or about the execution of the duties of his office or in respect of any such liability;

(b) all other costs, charges and expenses that he sustains or incurs in or about or in relation to the affairs thereof, except such costs, charges or expenses as are occasioned by his own wilful neglect or default.

BONDING

17. The Board of Directors may, as a condition of the employment of any person by the Association or as a condition of the delegation to any Officer, Director or employee of the Association of a specific function, require the execution of a fidelity bond in respect to the performance of the duties or functions of such person, Officer, Director or employee, such fidelity bond to be in the standard form and with a bonding company licensed under the laws of the province in which the person, Officer, Director or employee resides or is located for the purpose of carrying out his duties or functions.

ENACTED this Twenty-seventh day of October, 1965
WITNESS the corporate seal of the Association

President

Vice-President

BY-LAW NUMBER TWO BEING THE BY-LAW REGULATING THE BORROWING OF MONEY AND THE PLEDGING OF CREDIT BY THE ASSOCIATION OF UNIVERSITIES AND COLLEGES OF CANADA

BE IT ENACTED by the Association of Universities and Colleges of Canada as a by-law of the Association as follows:

1. The Directors may and they are hereby authorized from time to time to:

   (1) borrow money upon the credit of the Association;

   (2) limit or increase the amount to be borrowed;

   (3) issue bonds, debentures or other securities of the Association;

   (4) pledge or sell such bonds, debentures or other securities for such sums and at such prices as may be deemed expedient;

   (5) mortgage, hypothecate, charge or pledge all or any of the real and personal property, undertaking and rights of the Association to secure any such bonds, debentures or other securities or any money borrowed or any other liability of the Association.

2. The Directors may from time to time by resolution delegate to the President together with the Executive Director or to any two Officers of the Association including the President or the Executive Director all or any of the powers conferred on the Directors by section 1 of this by-law to the full extent thereof or such lesser extent as the Directors may in any such resolution provide.

3. The powers hereby conferred shall be deemed to be in supplement of and not in substitution for any powers to borrow money for the purposes of the corporation possessed by its Officers or Directors independently of a borrowing by-law.

ENACTED this twenty-seventh day of October, 1965

WITNESS the corporate seal of the Association

President

Vice-President